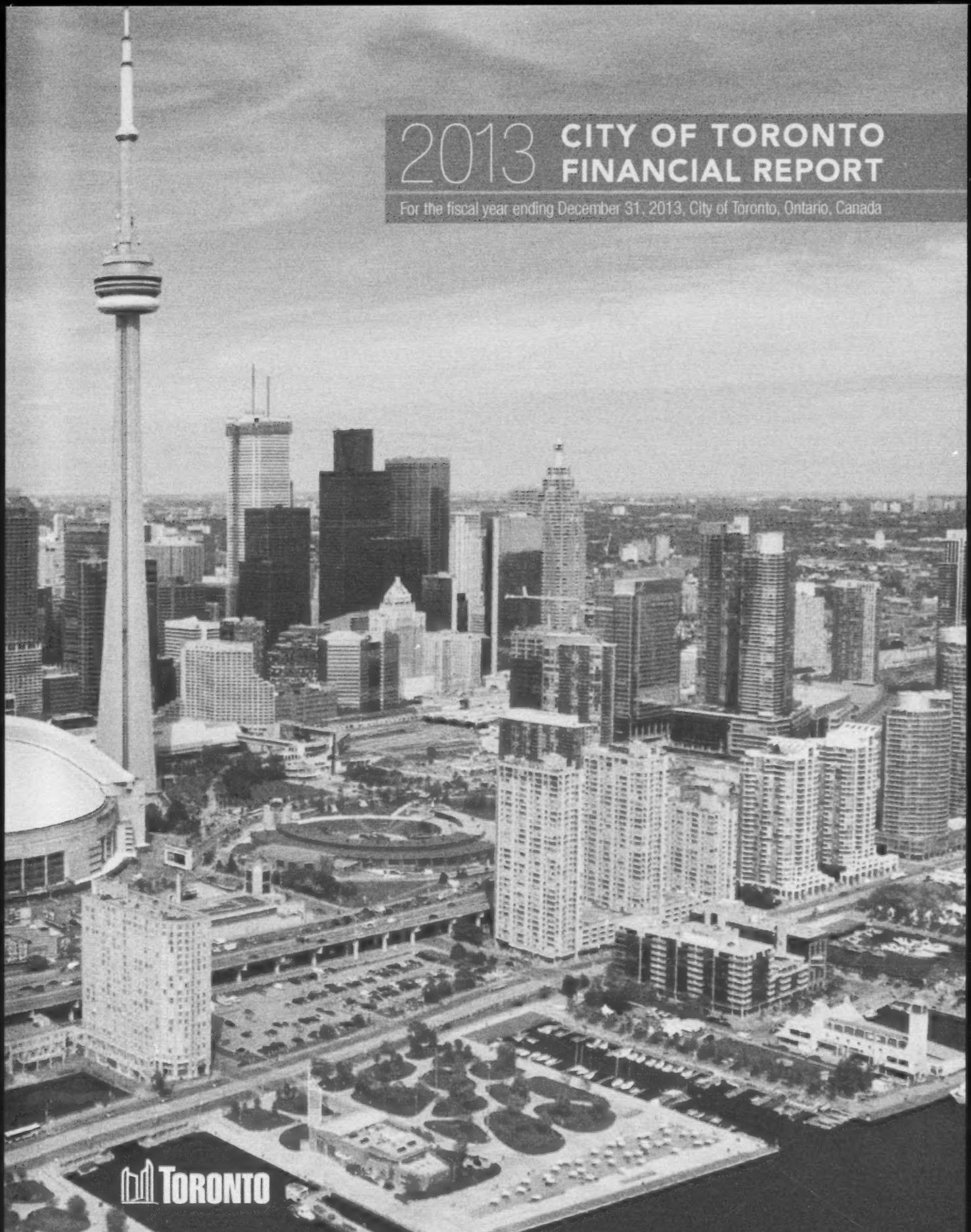


2013 CITY OF TORONTO FINANCIAL REPORT

For the fiscal year ending December 31, 2013, City of Toronto, Ontario, Canada

TORONTO

2013 CITY OF TORONTO FINANCIAL REPORT

For the fiscal year ending December 31, 2013

City of Toronto, Ontario, Canada

This report was prepared by:
The City of Toronto, Accounting Services, Corporate Finance,
Design Services and Strategic Communications

TORONTO

TABLE OF CONTENTS

Government Finance Officers Association (GFOA) Award: Canadian Award for Financial Reporting vi
A Message From Toronto Mayor 1
A Message From The City Manager 3

INTRODUCTION

A Profile on Toronto 7
Map of Electoral Wards 19
Toronto City Council 20
2010-2014 Executive Committee & Standing Committee Mandates 22
City Administrative Structure 23
City of Toronto Special Purpose Bodies 24

FINANCIAL CONDITION AND PERFORMANCE

A Message From The Deputy City Manager & Chief Financial Officer 27
Fiscal Capacity 28
Physical Infrastructure 29
Capital Financing and Debt 30
Capital Market and Investment Activities 32
Reserves and Reserve Funds 34
Deferred Revenues 35
Revenues 36
- Property Tax 36
- Funding Transfer From Other Governments 41
- User Fees 41
- Development Charges 41
- Other Taxation 42

Credit Rating 43
Toronto's Long Term Fiscal Plan 45
Performance Measurement and Benchmarking Results 46
Treasurer's Report 53
- Appendix A: Key Issues/Risks Facing the City of Toronto 72

2013 CONSOLIDATED FINANCIAL STATEMENTS

Management's Report 79
Independent Auditor's Report 80
Consolidated Statement of Financial Position 81
Consolidated Statement of Operations and Accumulated Surplus 82
Consolidated Statement of Change in Net Debt 83
Consolidated Statement of Cash Flows 84
Notes to Consolidated Financial Statements 85
Consolidated Schedule of Tangible Capital Assets – Schedule 1 125
Schedule of Government Business Enterprises – Appendix 1 127
Consolidated Schedule of Segment Disclosure – Service – Appendix 2 128
Consolidated Schedule of Segment Disclosure – Entity – Appendix 3 130
Consolidated Schedule of Segment Disclosure –Tangible Capital Assets by Entity – Appendix 4 132
Glossary 133

2013 STATISTICAL INFORMATION

Five-Year Review Summary 141

Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

City of Toronto

Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2012

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award of Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2012. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. The City of Toronto is continuing this standard of high quality reporting for the submission and evaluation to the GFOA for the 2013 Award Program.

A MESSAGE FROM TORONTO MAYOR

ROB FORD

In 2013 the City of Toronto continued to exercise fiscal discipline while establishing the City's budget. My Council colleagues and I worked hard to find a balance that would allow us to keep taxes low while continuing to provide the best services possible for the residents and businesses of Toronto.

We requested 0% increases for City Programs in order to maintain our strict budget targets. This was necessary in order to stop using previous year's operating surpluses for the current year's operating budget. We reduced spending through savings to be generated from efficiency measures; minimized service changes; maximized revenue sources; reduced the impact of capital financing; introduced a moderate municipal property tax; and, a Toronto Transit Commission (TTC) fare increase. As a result, the City has eliminated the reliance on the use of prior year's surplus as a finance source and has moved the City closer to achieving fiscal sustainability.

I'm pleased that Council agreed to earmark surpluses for capital financing of priority transit and transportation projects such as the much needed Scarborough Subway extension – the first major transit expansion in Scarborough in decades. Funding will be coming from all orders of Government and the City is in good fiscal shape to provide its portion.

In 2014, Toronto ranked fifth in the world and third in North America for business cost competitiveness among cities with more than 2 million people according to a KPMG study. Toronto also ranked 14th in the world in the Global Financial Centres Index.

And most recently, Toronto was ranked the world's most resilient city, by Grosvenor Group. Toronto was acknowledged for being well-governed, well-planned and having good access to water and energy, and its ability to adapt to change and cope with adverse issues.

Recognition like this makes me proud. Not only of our city but of City staff and my Council colleagues who keep the City operating – and of our residents and businesses that contribute to the culture, economy and overall atmosphere that makes Toronto the great city that it is.

Sincerely,

Rob Ford

Mayor Rob Ford
City of Toronto

A MESSAGE FROM THE CITY MANAGER

JOSEPH P. PENNACHETTI

I am pleased to present the City of Toronto's 2013 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements in the past year.

In 2013, we continued to make major advancements in achieving fiscal sustainability by reducing the City's reliance on one-time revenues from $134 million to $47 million, mainly by bringing expenses more in line with City revenues. The City's tax-supported net operating budget was just 0.7 per cent over the 2012 approved operating budget. Almost all City Programs and Agencies met or exceeded the 0 per cent increase target. In some cases, increases of 0 per cent were not recommended as cost reductions would have had a significant impact on services provided to the public. Specifically, the impact to the City's most vulnerable was a key consideration.

In October, I asked Council to affirm 26 strategic actions to guide the Toronto Public Service from 2013 to 2018. Building on Council's key achievements over the last 10 years, the Strategic Actions will continue to advance Council's vision, mission and goals for Toronto, helping to ensure the success of Toronto for its residents as well as strengthen the government of the City of Toronto to meet its future challenges. Two goals related to Fiscal Sustainability were developed as part of the plan to update the City's Strategic Plan:

(1) Provide stewardship of City resources and assets through sound financial planning.
(2) Establish sustainable financing mechanisms.

Four Strategic Actions were then developed to advance these two goals:

- An update to the Long Term Fiscal Plan;
- Improved Service and Financial Planning;
- Ensuring a State of Good Repair for the City's infrastructure; and
- A plan to finance the City's Growth.

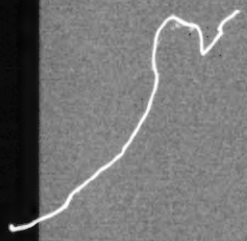
In affirming the 26 strategic actions, Council asked me to establish a process for updating City Council's Strategic Plan, including its vision, mission and goals, for Council's consideration in 2015.

In November, a new Development Charges Bylaw came into effect. Under the new bylaw, rates will be increased over two years by about 75 per cent for residential development and by 25 per cent for non-residential development beginning February 1, 2014. This additional revenue will play an important part in the City's efforts to replace its key capital infrastructure while limiting debt financing.

Because of our fiscal discipline, international bond rating agencies have confirmed our strong credit ratings. The City's current credit ratings are assessed at Aa1 by Moody's and AA by Standard & Poor's and DBRS. These high ratings reflect the City's strong ability to make payments on its debt now and into the future.

The Toronto Public Service has been instrumental in achieving financial stability for the City. I am pleased that under Council's leadership, all of the work undertaken by City staff over the past year has enabled us to achieve our financial goals for the benefit of Toronto residents and businesses.

Joseph P. Pennachetti
City Manager



2013 INTRODUCTION

CITY OF TORONTO FINANCIAL REPORT

PROFILE ON TORONTO

TORONTO IN WORLD RANKINGS

Toronto is one of the most liveable and competitive cities in the world as demonstrated by various international rankings and reports. In addition to securing its position on the world stage, Toronto's rankings confirm that it continues to offer a high quality of life for about 2.8 million residents who choose to live and work here.

- **Best City to Invest in Real Estate in the Long Term (Most Resilient City)**
  Grosvenor Group

  According to Grosvenor Group, a U.K.-based real estate developer, the City of Toronto is the best bet for long-term investment in real estate according to their global resiliency ranking of 50 global cities. In fact, Canadian cities (Toronto, Vancouver and Calgary) were ranked as the top three cities based on a combination of low vulnerability and high adaptive capacity. Also according to the research, Canadian cities are well governed and well planned.

- **Most High-Rise Buildings Under Construction in North America**
  Emporis, SkyscraperPage

  According to Emporis, a global provider of building information and SkyscaperPage.com, a web-based database of scale-model illustrations and diagrams of skyscrapers, Toronto continues to have the most high-rise buildings under construction in North America, maintaining a sizeable lead in both rankings over second ranked New York City and third ranked Mexico.

- **3rd Most Prosperous of Global Metropolitan Areas in Scorecard on Prosperity Ranking based on Livability and Economic Performance**
  Toronto Region Board of Trade

  In its annual survey of 24 global metropolitan areas, the Toronto Region Board of Trade gave Toronto its highest ranking since the Board started benchmarking in 2009 - 2nd in North America and 3rd overall. Toronto had a strong performance in labour attractiveness, and improved in its economic rankings.

- **Most Youthful City of 25 World Cities**
  Youthful Cities Index

  The YouthfulCities 2014 Index analyzed 25 cities around the world from the perspective of young adults, in an attempt to quantify which cities are most attractive to young people aged 15 to 29 and how they can live, work and play in their urban settings. The study ranks cities based on 80 indicators in 16 categories and Toronto ranked high in the categories including, Diversity, Digital Access, Youth Employment, Food and Nightlife, Music and Film, Fashion and Art, Public Space, Sport and Gaming.

- **2nd Best Reputation of 100 Cities Worldwide**
  Reputation Institute

  Toronto ranked second behind Sydney, Australia in an annual study, comparing the reputations of 100 cities worldwide, recently issued by the Reputation Institute. The annual study surveyed more than 22,000 people from the G8 countries and ranked the world's 100 most reputable cities based on levels of trust, esteem, admiration and respect, as well as perceptions regarding 13 attributes. The three key dimensions of the study are an advanced economy, appealing environment and effective government. The study results confirm the links between city reputations and economic outcomes, while also highlighting the key drivers of a good reputation. Toronto ranked as the top city to work in, the second most attractive city to live in, and the seventh highest ranked city in the invest category.

- **2nd Best North American City for Business Investment**
  fDi Magazine

  A leading global business publication has ranked Toronto as one of the best cities in North America for business investment. fDi Magazine, published by the Financial Times Ltd., ranked Toronto in second place after New York City in the categories of "Overall North American Cities of the Future 2013/14". Toronto also placed second after New York City as a major North American city for business friendliness. The rankings by fDi Magazine are based on data collected for 422 cities under five categories: economic potential; human resources; cost effectiveness; infrastructure; and business friendliness

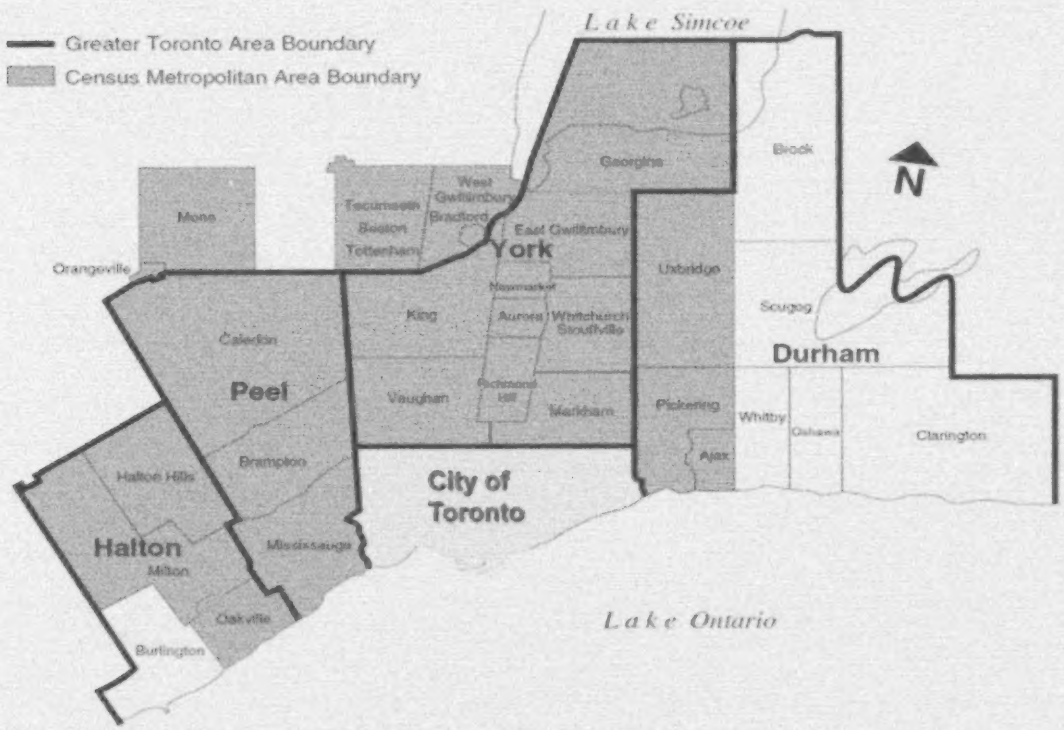
City of Toronto, GTA and CMA

The City of Toronto is Canada's largest city with a population of 2.8 million residents. It is the heart of a large urban agglomeration of 6.4 million called the Greater Toronto Area (GTA)[1]. The City has one of the most ethnically diverse populations in North America. Almost one in four visible minority persons in Canada resides in Toronto. Nearly half of the city's population (47%) considers itself as part of a visible minority group.

The City of Toronto, with 89,000 businesses, is the major economic engine of the country. The City is both the political capital of the Province of Ontario and the corporate capital of Canada. As well, it is the major centre for culture, entertainment and finance in the country. The City is the home to more national and internationally ranked companies than any other city in Canada.

The GTA is one of the largest regional economies in North America, characterized by concentrated and fast-growing finance-related industries and highly specialized knowledge-based jobs. An estimated $315 billion of goods and services (GDP 2013) are produced in the Toronto Census Metropolitan Area (CMA[2]). The City of Toronto accounts for half of this total (2013: $157 billion). As well, the City accounts for 23% of Ontario's GDP and about 9% of the country's economic output.

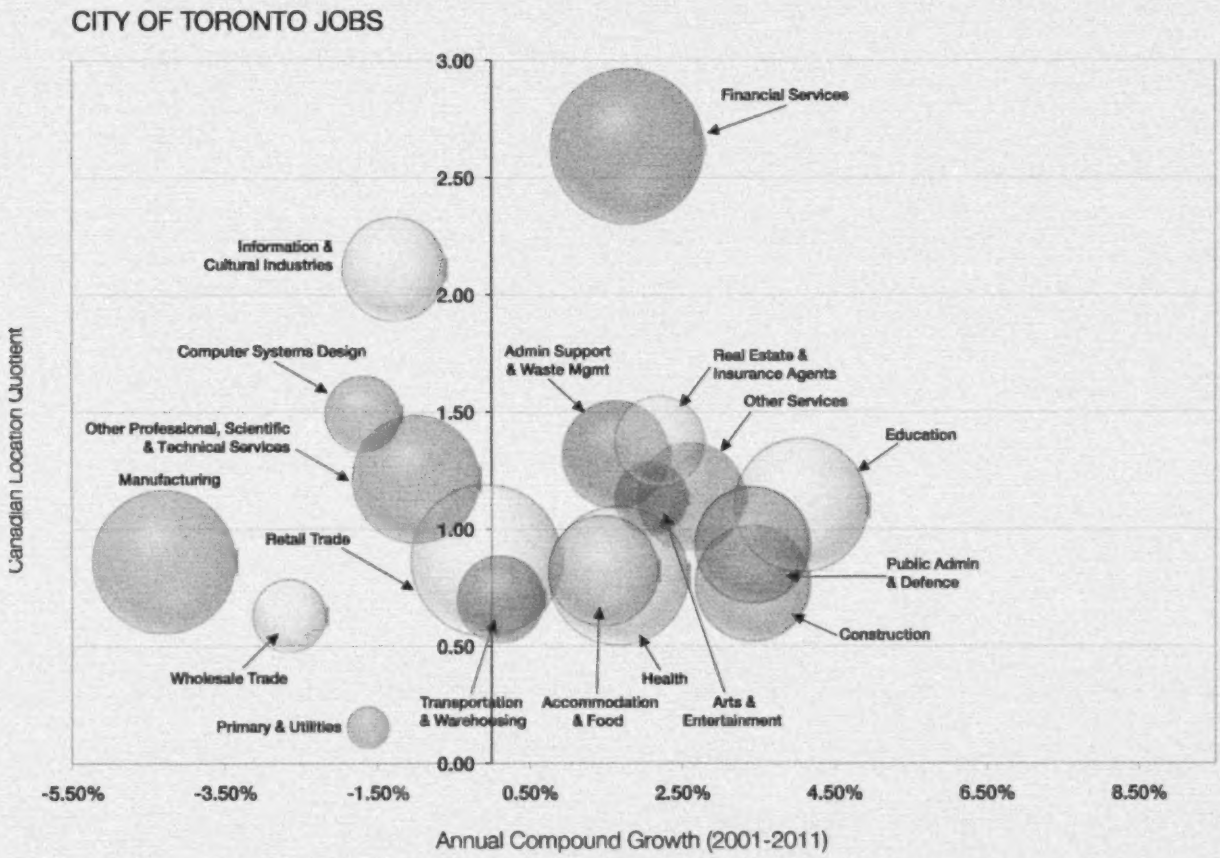
City of Toronto, GTA and CMA



[1] Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.
[2] Toronto Census Metropolitan Area (CMA) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria. It comprises the City of Toronto and 23 other municipalities.

Key Employment Sectors

The following graphic recognizes the diverse nature of the City of Toronto's economy while providing some useful insights into the city's key employment sectors. The size of a sector bubble represents employment size. The horizontal position of a sector bubble on the graphic denotes industry growth rate. The vertical position on the graph denotes the concentration of the sector's employment within the city relative to other major cities in Canada. Therefore the sectors at the top of the chart principally export goods and services and the ones to the right are growing more rapidly than others.



Source: Economic Research, Economic Development & Culture Division, City of Toronto

From the graph it is noted that Financial Services and Information & Cultural industries (ie. telecommunications, broadcasting, libraries) have the highest concentration of employment in Toronto in comparison to other Canadian cities. The highest growth industries are Education, Public Admin and Defence, Construction and Real Estate & Insurance Agents. Health, Retail Trade, Financial Services and Manufacturing are the largest sectors in terms of employment.

One significant trend is that employment in the Manufacturing industry in the city, though still one of the largest sectors, has been on the decline at an average annual rate of 4.3% from 2001 to 2011. By 2011, the number of employed people in the Manufacturing industry was less than 2/3 of what it was in 2001.

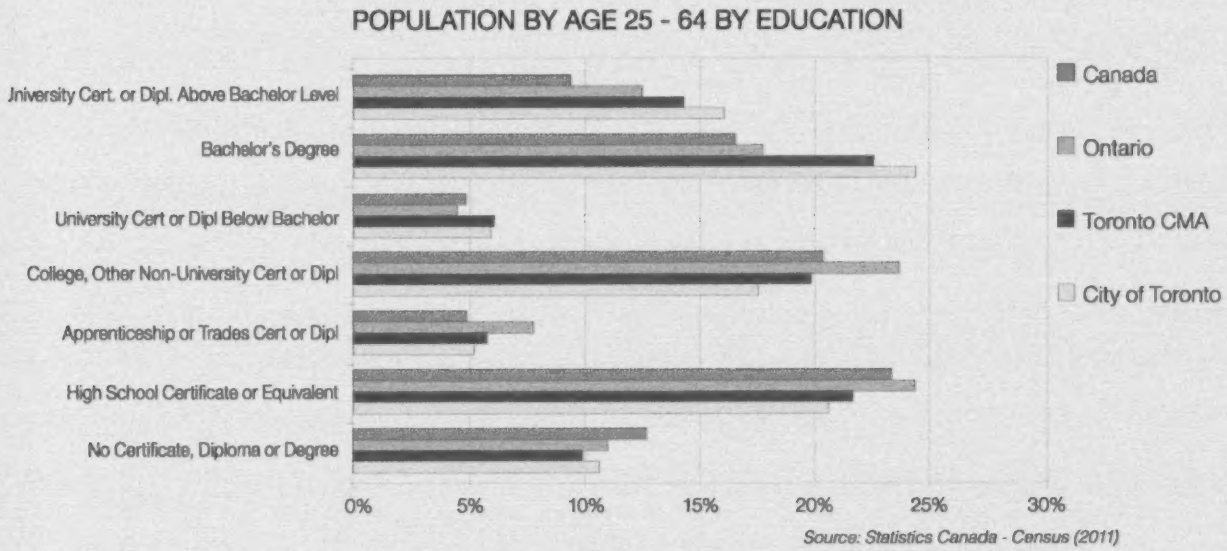
The Financial Services sector is emerging as the one of Toronto's highest growth industries with a large and highly concentrated workforce. The Toronto region is home to the functional head offices of the five major banks in Canada and is considered to be one of the top ten financial centres in the world according to the Global Financial Centres Index. Banking in Canada is widely considered the most efficient and safest banking system in the world, ranking as the world's soundest banking system according to a 2008 World Economic Forum report, ahead of Sweden, Luxembourg, Australia, Denmark and the Netherlands. Most recently, five of Canada's biggest financial institutions have been named on a list of the world's strongest banks. The May 2012 study by Bloomberg Markets, which reviewed the quality and stability of a firm's holdings, indicated that Canada had the most banks on the list - five institutions. It is further proof that Canada has the most secure banking system in the world. According to Moody's Analytics, by 2017, Toronto is expected to surpass London in terms of total financial services jobs with Toronto expecting to add an additional 100,000 jobs in this sector by 2020 while London is expected to lose a further 30,000 jobs over the same period.

As part of the Health sector, the biomedical and biotechnology cluster in Toronto is the fourth largest in North America. The Discovery District is a downtown research park with 7 million sq. ft. of facilities – Canada's largest concentration of research institutes, business incubators and business support services. The Medical and Related Sciences (MaRS) project, Faculty of Pharmacy building at the University of Toronto, and the Centre for Cellular and Biomolecular Research (CCBR) help give the Discovery District its name. A further 800,000 square foot addition to the Mars Centre was completed in January 2014.

Continued investment in the Arts, Entertainment and Recreation sector is vitally important for the attraction of tourists and film production to the City. Toronto has undergone a 'cultural renaissance' with the unprecedented building and architectural transformation of close to a dozen major arts and cultural institutions, including the Michael Lee-Chin Crystal (an expansion of the Royal Ontario Museum), the Art Gallery of Ontario, the new home of the Toronto International Film Festival, the Four Seasons Centre for the Performing Arts which is the new home of the National Ballet of Canada and the Canadian Opera Company, and the Gardiner Museum of Ceramic Art. In fall 2013, Ripley's Aquarium of Canada opened its doors as a major new tourist attraction in the City featuring 450 species of more than 15,000 fish. The production of domestic and foreign film and television is a major local industry. Toronto contains the headquarters of the major English language Canadian television networks such as CBC, CTV, Citytv and Global. Toronto is home to two national daily newspapers (Globe and Mail and National Post), two local daily newspapers (Toronto Star and Toronto Sun), approximately 79 ethnic newspapers/magazines, and many other community papers.

Workforce

Toronto has a large educated, skilled and multilingual workforce. Toronto is the home to four universities (University of Toronto, York University, Ryerson University, and Ontario College of Art and Design), and four community colleges (Centennial, Seneca, Humber and George Brown). More than 60% of Toronto workers have post-secondary degrees, diplomas or certificates.



With an estimated 1.4 million people working in the City of Toronto, it continues to be a net importer of labour from the surrounding regions. The net inflow of people to the city is estimated to be over two hundred thousand people every day. However the surrounding regions are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus transforming themselves from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour from the surrounding regions beyond the GTA.

Economic Growth

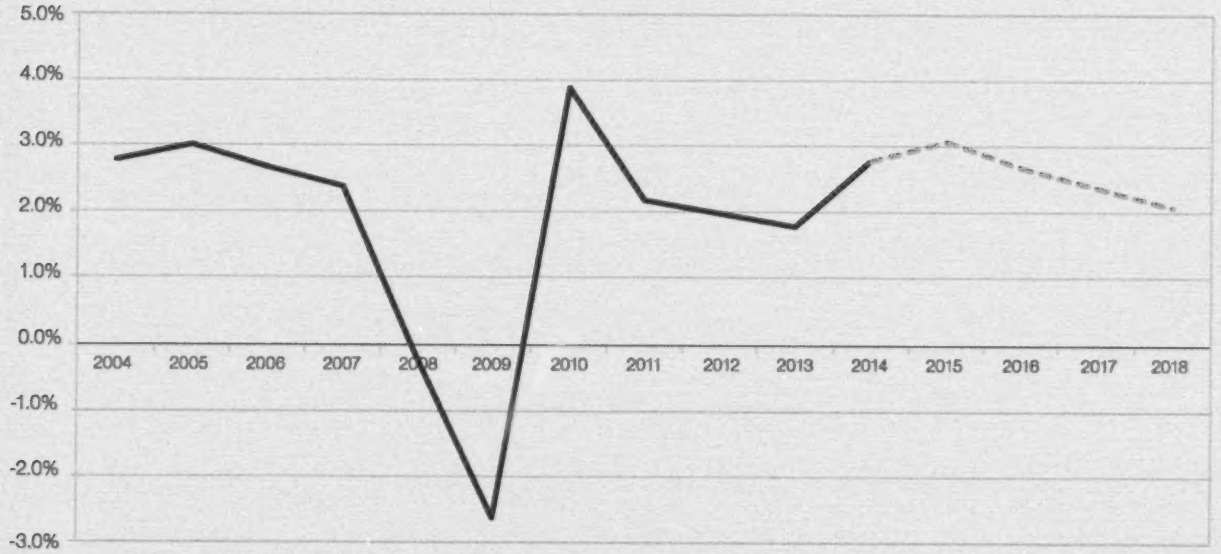
Canada emerged from the world's economic recession (technically defined as two consecutive quarters of negative GDP growth) in late 2009. According to Statistics Canada, the 2008-2009 recession was less severe than those in 1981-1982 and 1990-1992 with respect to economic contraction and employment. Moreover, Canada's recession was less pronounced than in other major industrialized countries.

In 2010 and 2011, Canada's strong economic rebound was driven by buoyant consumer spending, a hot housing market, and significant government fiscal stimulus. However, economic growth slowed from 2.5% in 2011 to 1.7% in 2012 and 1.8% in 2013, due to a retreat in household, business and government spending, a weak economic recovery in Europe and mixed signals coming from the U.S. economy. Canada's real GDP is forecasted to see a return to above 2% growth from 2013-2017, as interest rates are expected to remain low and the U.S. economy is continuing to show slow but steady improvement. Specifically, the Conference Board of Canada is forecasting growth of 2.4% in 2014 and 2.6% in 2015 before slipping back to economic growth levels of 2.4% in 2016, 2.2% in 2017 and 1.9% in 2018.

At the provincial level, Ontario was amongst the harder-hit provinces in the latest recession due to its concentration of automotive and other manufacturing industries. After taking a heavy beating in 2009, Ontario rebounded with healthy growth of 3.5% in 2010 largely due to a quick recovery in auto and parts exports, outperforming all Canadian provinces. Global economic uncertainty and a sluggish U.S. economic recovery contributed to a lower level of growth of 1.8% in 2011 and 1.7% in 2012 and 1.2% in 2013. The Conference Board is forecasting that Ontario's real GDP will rebound to 2.2% growth in 2014 followed by 2.6% growth in 2015, fuelled by rising exports, particularly in the United States. Economic growth is then expected to slip starting in 2016 with the Conference Board forecasting economic growth of 2.4% in that year, 2.3% in 2017 and 1.9% growth in 2018. Employment growth is expected to remain modest throughout the forecast period.

At the local level, the goods sector was hardest hit during the economic downturn that began in Toronto in the third quarter of 2008 into 2009. However, the region's economy rebounded in 2010 with impressive real GDP growth of 3.9%, led by renewed strength in manufacturing, construction, and wholesale and retail trade, as well as government stimulus spending. Unrest in the global economy and weaker consumer spending contributed to a slowdown in economic growth of 2.2% in 2011, 2.0% in 2012 and 1.8% in 2013. The housing sector has remained resilient, however, which in turn has had a positive impact on the finance, insurance and real estate sectors. Preparation for the 2015 Pan Am Games in Toronto and Hamilton is expected to provide an economic stimulus in non-residential construction in the years leading up to event. As well, revitalization of the Queen's Quay area and Union Station, Light Rail Transit (LRT) expansion along Eglinton, Sheppard and Finch Avenues and the Toronto-York Spadina and Scarborough Subway extensions are large projects that will continue to support the local construction industry in the years ahead. As the following chart illustrates, the Conference Board is forecasting that Toronto CMA is expected to encounter growth of 2.8% real GDP growth in 2014, 3.1% in 2015 and an average of 2.4% over the 2016-2018 forecast period. The higher economic growth in the forecast period is supported by an improving U.S. economy which will in turn boost growth in many sectors including manufacturing, warehousing and transportation.

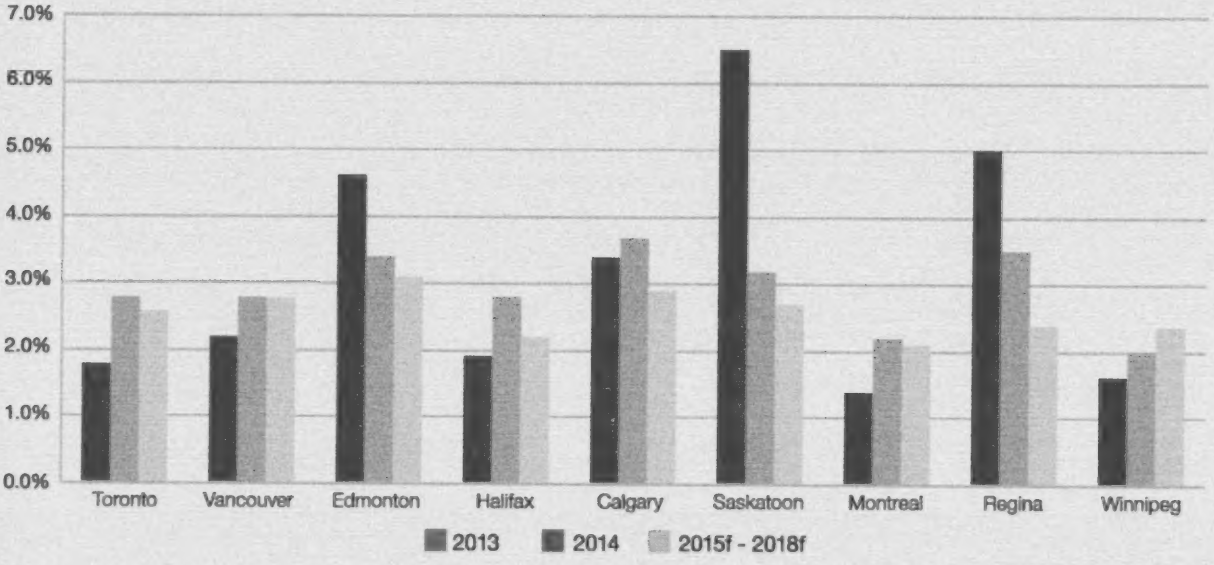
GDP GROWTH RATE
TORONTO CMA



Source: Conference Board of Canada Metropolitan Outlook: Winter 2014

The following chart compares the economic growth of major Canadian city-regions (CMAs). Going forward, Toronto will see healthy, improving growth, but will trail behind the mid-west regions (Calgary, Edmonton, Saskatchewan and Regina) as their strong oil sand construction activities and the expanding energy sectors help propel faster growth in those regions.

REAL GDP GROWTH
MAJOR CANADIAN CITY REGIONS (CMA)



Source: Conference Board of Canada Metropolitan Outlook Winter 2014

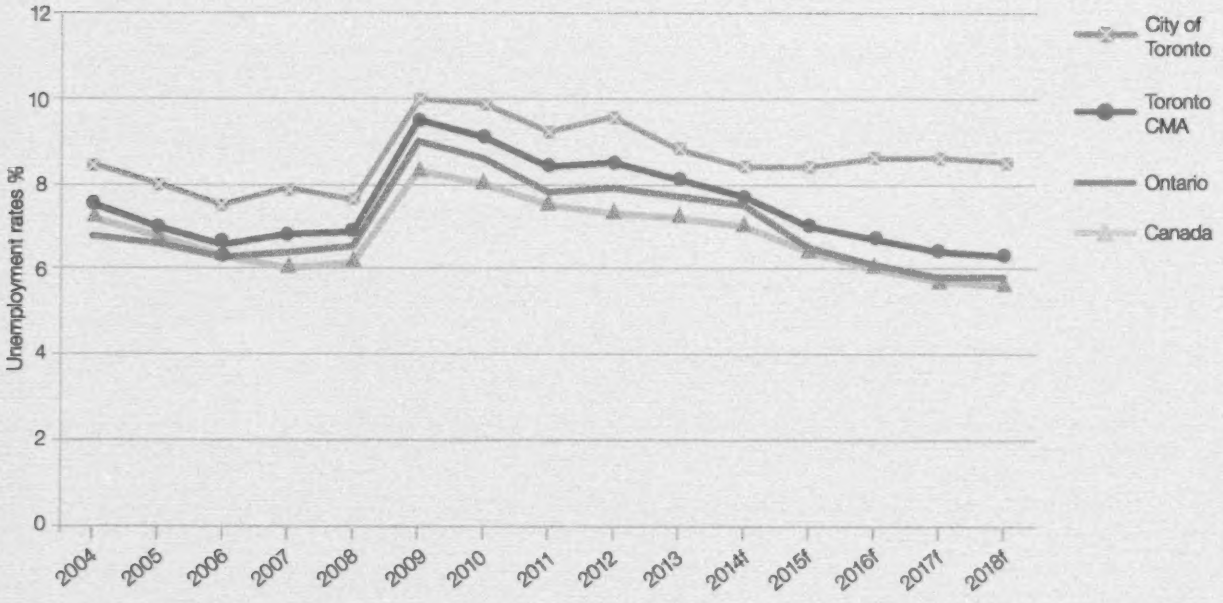
Economic Indicators

- **Unemployment Rate**

Within the Toronto region, the city and the rest of the CMA region ("905") exhibited different economic growth patterns. In the city, job losses during the recession coupled with decreased participation rates led the city's unemployment rate to increase to 10% in 2009, a level not seen since the early/mid-1990s. Despite having emerged from the recession Toronto's unemployment rate remained stubbornly high at 9.9% in 2010, 9.2% in 2011 and 9.6% in 2012. Going forward, while slow improvement is expected, the City's unemployment rate will continue to lag the rest of the CMA, Ontario and Canada and remain persistently higher than pre-recession levels at 8.8% in 2013, 8.4% in 2014 and 2015 and 8.6% in 2016.

UNEMPLOYMENT RATES

CITY OF TORONTO, TORONTO CMA, ONTARIO AND CANADA

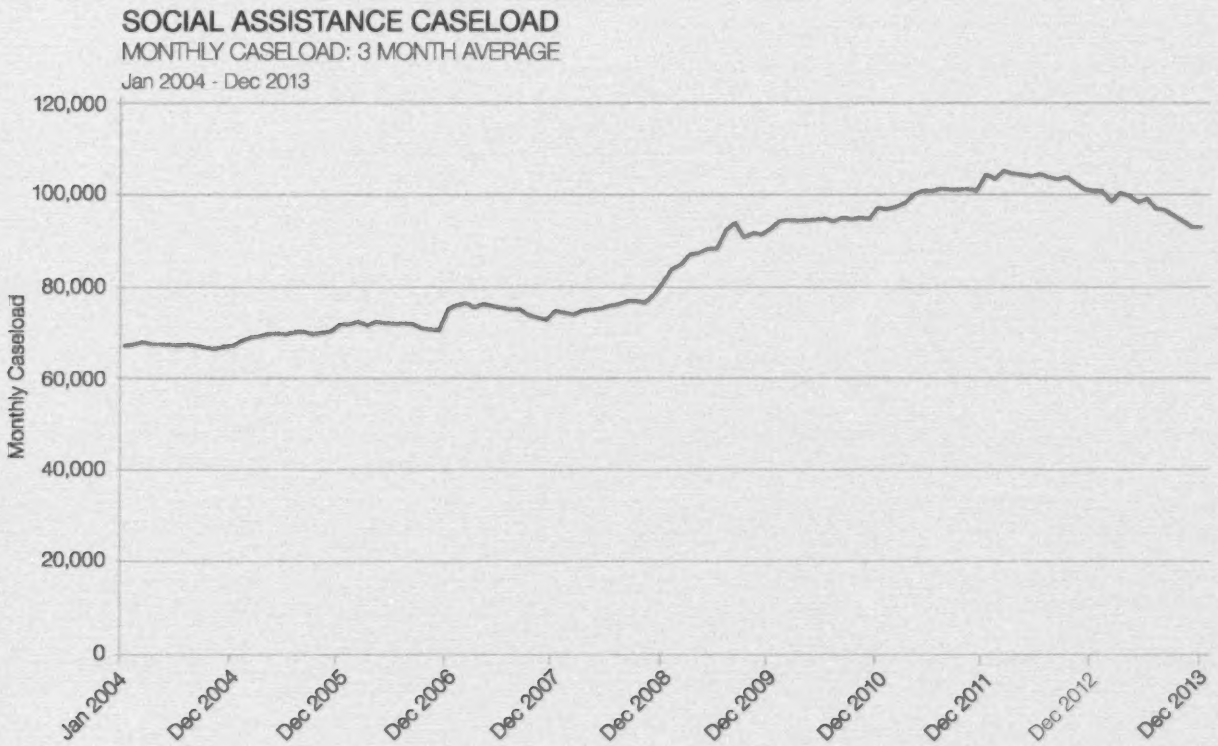


Source: Labour Force Survey, Statistics Canada
Forcast: Conference Board of Canada

- **Social Assistance Caseload**

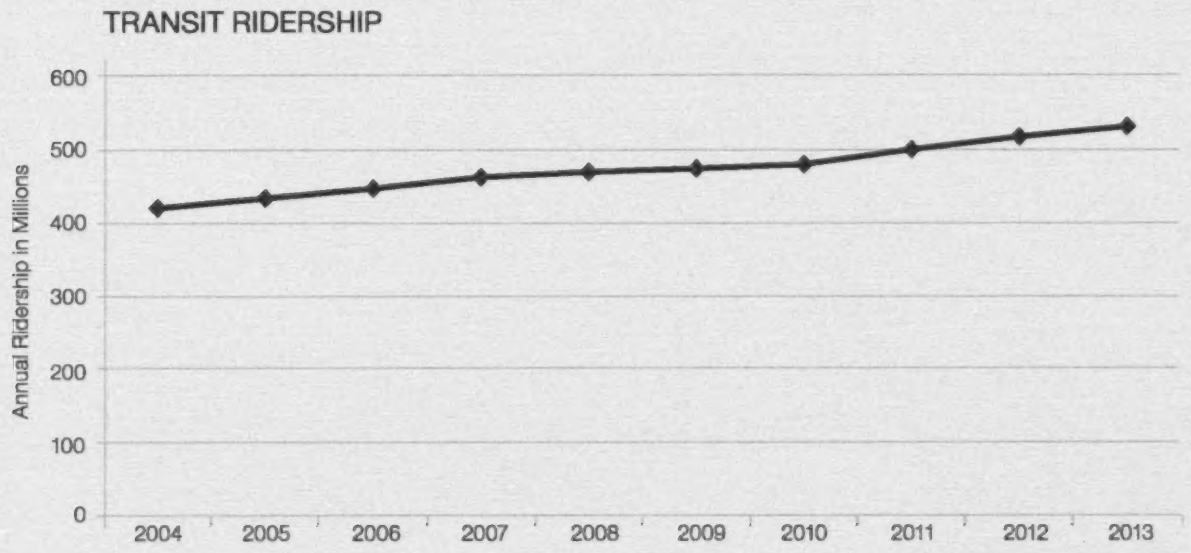
The number of cases and people on social assistance are largely dependent on the unemployment rate, and to a certain extent, population and participation rate. The City's Social Assistance (Ontario Works) caseload has followed a similar historical trend as its unemployment rate (although lagging by anywhere from six to 12 months). The following chart shows the caseload trending upward until 2012 with the rate of increase being most pronounced after the start of the last recession in 2009. Since January 2009, the number of cases rose from approximately 81,000 monthly cases to a peak of 105,000 monthly cases in April 2012, before dropping back as a result of improved employment conditions to a level of 93,200 at the end of 2013.

Commencing in 2012, a new category of cases was added to the Ontario Works Caseload statistics. These are Ontario Works cases at City Hostels that are now referred to the Ontario Disability Support Program which amounted to approximately 17,000 cases in 2013



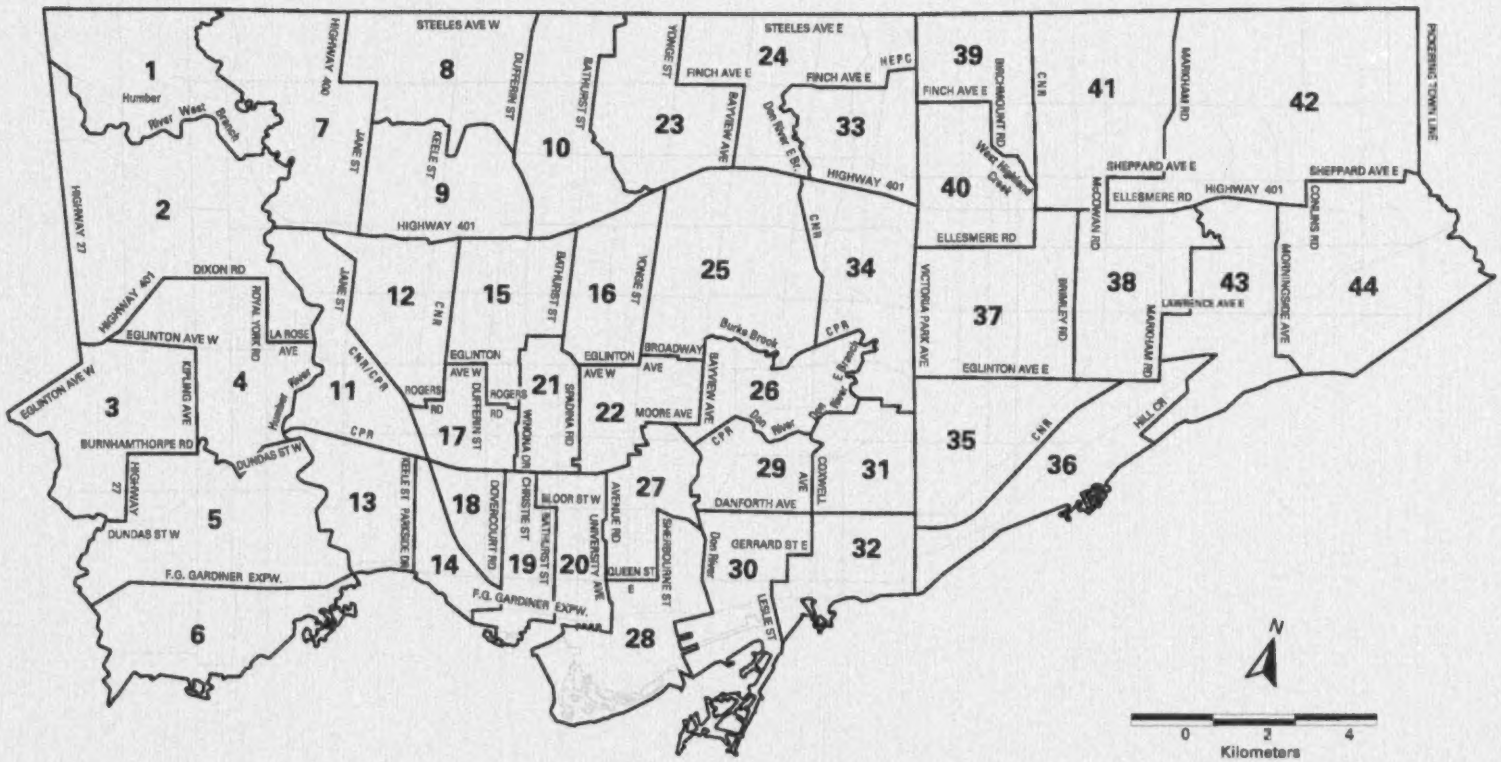
- **Transit Ridership**

The Toronto Transit Commission ("TTC") established a new record for 12-month ridership with a projected 528 million riders in 2013, representing an impressive 14 million rider increase over the 2012 actual ridership. Another record is projected for 2014 with a budgeted ridership of 540 million. The TTC is in the process of replacing its aging fleet and meeting future growth expectations through the procurement of new subway cars, buses and light rail vehicles. The TTC has also embarked on a number of customer service enhancements to meet the demands of the growing ridership, including the implementation of a Customer Charter, public washroom refurbishments, in-service subway car cleaning, the addition of station managers at select subway stations and the roll out of debit and credit card acceptance for Metropasses at collectors' booths.



Source: Toronto Transit Commission

MAP OF ELECTORAL WARDS



TORONTO

Municipal Wards 2010 - 2014

Revised January 2007

TORONTO CITY COUNCIL

Mayor Rob Ford

Ward 1
Vincent Crisanti

Ward 2
Doug Ford

Ward 3
Peter Leon

Ward 4
Gloria Lindsay Luby

Ward 5
Peter Milczyn

Ward 6
Mark Grimes

Ward 7
Giorgio Mammoliti

Ward 8
Anthony Perruzza

Ward 9
Maria Augimeri

Ward 10
James Pasternak

Ward 11
Frances Nunziata

Ward 12
Frank Di Giorgio

Ward 13
Sarah Doucette

Ward 14
Gord Perks

Ward 15
Josh Colle

Ward 16
Karen Stintz

Ward 17
Cesar Palacio

Ward 18
Ana Bailão

Ward 19
Mike Layton

Ward 20
Adam Vaughan

Ward 21
Joe Mihevc

Ward 22
Josh Matlow

Ward 23
John Filion

Ward 24
David Shiner

Ward 25
Jaye Robinson

Ward 26
John Parker

Ward 27
Kristyn Wong-Tam

Ward 28
Pam McConnell

Ward 29
Mary Fragedakis

Ward 30
Paula Fletcher

Ward 31
Janet Davis

Ward 32
Mary-Margaret
McMahon

Ward 33
Shelley Carroll

Ward 34
Denzil Minnan–Wong

Ward 35
Michelle Berardinetti

Ward 36
Gary Crawford

Ward 37
Michael Thompson

Ward 38
Glenn De Baeremaeker

Ward 39
Mike Del Grande

Ward 40
Norman Kelly

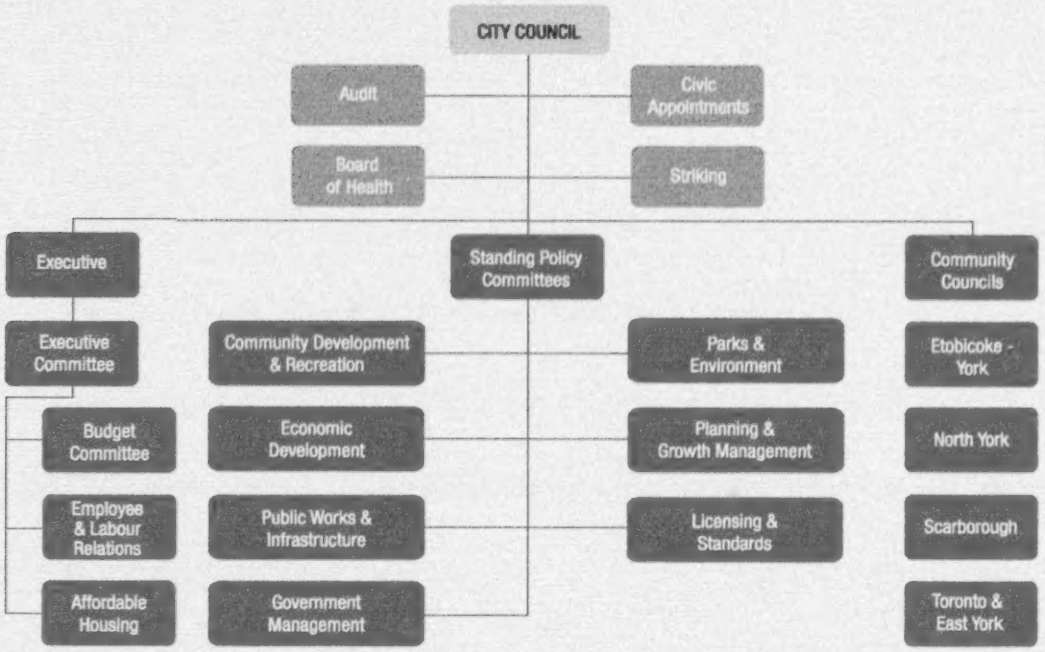
Ward 41
Chin Lee

Ward 42
Raymond Cho

Ward 43
Paul Ainslie

Ward 44
Ron Moeser

2010-2014 EXECUTIVE COMMITTEE & STANDING COMMITTEE MANDATES



2010-2014 EXECUTIVE COMMITTEE AND STANDING COMMITTEE MANDATES

EXECUTIVE COMMITTEE:
The Executive Committee's mandate is to monitor and make recommendations on the priorities, plans, international and intergovernmental relations, and the financial integrity of the City.

The responsibilities of the Executive Committee include:
(1) Council's strategic policy and priorities in setting the agenda;
(2) Governance policy and structure;
(3) Financial planning and budgeting;
(4) Fiscal policy including revenue and tax policies;
(5) Intergovernmental and international relations;
(6) Council and its operations; and
(7) Human resources and labour relations.

The Executive Committee makes recommendations or refers to another committee any matter not within the Standing Committee's mandate or that relates to more than one Standing Committee.

AUDIT COMMITTEE
The responsibilities of the Audit Committee include:
1. Recommending the appointment of the City's external auditor;
2. Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
3. Considering the annual external audit of the financial statements of the City and its agencies, boards, and commissions;
4. Considering the external audit of the Auditor General's office;
5. Considering the Auditor General's reports and audit plan;
6. Conducting an annual review of the Auditor General's accomplishments;
7. Making recommendations to Council on reports the Audit Committee considers.

STANDING COMMITTEES
The standing committees are organized along seven broad policy areas:

Community Development and Recreation Committee – will focus on social inclusion and undertake work to strengthen services to communities and neighbourhoods.

Economic Development Committee – will focus on the economy and undertake work to strengthen Toronto's economy and investment climate.

Public Works and Infrastructure Committee – will focus on infrastructure and undertake work to deliver and maintain Toronto's infrastructure needs and services.

Government Management Committee – will focus on government assets and resources and undertake work related to the administrative operations of the City.

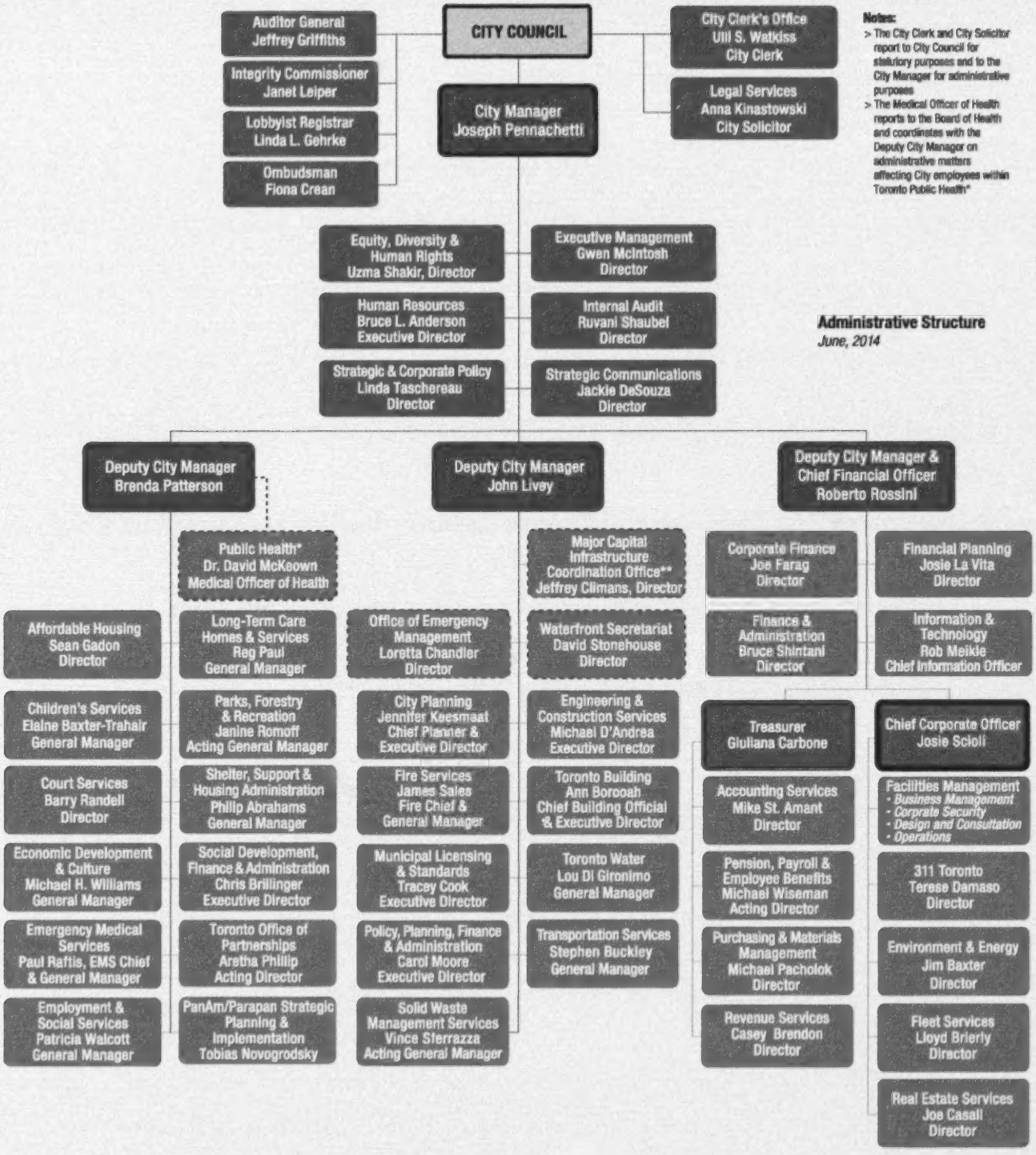
Parks and Environment Committee – will focus on the natural environment and undertake work to ensure the sustainable use of Toronto's natural environment.

Planning and Growth Management Committee – will focus on the urban form and undertake work related to good city planning and sustainable growth and development.

Licensing and Standards Committee – will focus on consumer safety and protection and undertake work related to licensing of businesses and enforcement of property standards.

Note: Reference should be made to the Municipal Code – Chapter 27, Council Procedures, for the specific responsibilities of each committee.

CITY ADMINISTRATIVE STRUCTURE



CITY OF TORONTO SPECIAL PURPOSE BODIES

AGENCIES [1]

Service Agencies

- Board of Health
- Exhibition Place
- Heritage Toronto
- Police Services Board
- Public Library Board
- Sony Centre for the Performing Arts (operating name for Hummingbird Centre)
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund
- Toronto Centre for the Arts
- Toronto Parking Authority
- Toronto Transit Commission
- Toronto Zoo
- Yonge-Dundas Square

Community-Based:

- 8 Arena Boards
- 10 Association of Community Centre Boards (AOCCs)
- 77 Business Improvement Areas (BIAs)

Quasi-Judicial & Adjudicative Boards

- Committee of Adjustment
- Committee of Revision
- Compliance Audit Committee
- Property Standards Committee/Fence Viewers
- Rooming House Licensing Commissioner and Deputy [3]
- Sign Variance Committee
- Toronto Licensing Tribunal

Partnered Agency

- Toronto and Region Conservation Authority

CORPORATIONS [2]

City Corporations

- Build Toronto Inc.
- Casa Loma Corporation
- Invest Toronto Inc.
- MasterCard Centre (operating name for Lakeshore Arena Corporation)
- Toronto Community Housing
- Toronto Hydro Corporation
- Toronto Port Lands Company (operating name for Toronto Economic Development Corporation)
- Toronto Pan Am Sports Centre Inc. (TPASC)

Partnered Corporations

- Enwave Energy Corporation [4]
- Waterfront Toronto

Notes:

1. Previously referred to as agencies, boards and commissions.
2. Ontario Business Corporations Act (OBCA) corporations.
3. Rooming House Licensing Commissioner and Deputy are Officers, rather than an agency of the City, but in all other respects function as a quasi-judicial and adjudicative board.
4. Effective October 31, 2012 all shares of Enwave Energy Corporation were sold to Brookfield Asset Management Inc.

Updated: July 2014

2013 FINANCIAL CONDITION & PERFORMANCE

CITY OF TORONTO FINANCIAL REPORT

A MESSAGE FROM THE DEPUTY CITY MANAGER & CHIEF FINANCIAL OFFICER

ROBERTO ROSSINI

The 2013 Annual Financial Report for the City of Toronto provides an in depth look at the City's financial performance over the past year, and highlights our progress toward the City's major goals for Toronto's residents and businesses.

When the 2014 Capital Budget was launched in November 2013, the key challenge was funding increased investments to maintain existing assets while addressing priority services and growth needs. A capital financing strategy was developed to fund an additional $534 million in TTC capital requirements and $671 million in Transportation capital requirements while staying within the City's 15% debt service cost guideline.

In October of 2013, City Council reconfirmed its support for a Scarborough Subway, extending the Bloor-Danforth line along the McCowan Road corridor to Sheppard Avenue East. Funding of the subway extension is expected to come from both the provincial and federal governments, and from the City through a combination of development charges and a special property tax levy.

Another key area for capital investment is the City's social and affordable housing programs. For the first time, the City has put in place a long-term capital funding plan that will provide $864 million for Toronto Community Housing repairs over the next 10 years. The City has asked the federal and provincial governments to also contribute $864 million each, or one-third of the $2.6 billion in new repair costs TCH will face. In the short term, the City and Toronto Community Housing have unlocked $93.5 million through mortgage refinancing and $65 million through the approved sale of assets.

Two extreme weather events in July and December 2013 provided operational and financial challenges to Toronto's residents and businesses, as well as the City and its agencies. The July 8 rainstorm was the third most costly weather-related event in Canadian history. Likewise, the ice storm that occurred on December 21 and 22 caused significant damage to both public and private property. City staff worked tirelessly to assist residents, assess and repair the damage and evaluate the City's response. The City also requested financial assistance from the provincial and federal governments.

I'm pleased to share that for the seventh consecutive year, the City of Toronto has won the Government Finance Officers Association of the United States and Canada Award for Excellence in Financial Reporting. The City of Toronto also won the Government Finance Officers Association's Distinguished Budget Presentation Award. Summarizing the activities of such a diverse and complex city is extremely challenging and these awards could not have been possible without the dedication of the professional team that I have the privilege to work with every day.

Roberto Rossini
Deputy City Manager & Chief Financial Officer

FISCAL CAPACITY

Toronto enjoys a well diversified economy, relatively low business costs, a well-educated workforce and good infrastructure, which allows it to be well positioned to compete internationally. The city government has a sound financial base, as reflected by its high credit rating and its healthy accumulated surplus and strong cash position.

The City's structural shortfall comprises two components:

- A cumulative component due to programs downloaded to the municipality from the Province, and
- An annual component due to annual ongoing shortfalls.

In an effort to eliminate the annual operating shortfall, the City in 2011 commenced a Service Review Program consisting of a Core Service Review, Service Efficiency Studies and a User Fee Review. In 2013 alone, Service Efficiencies and other base budget reductions totalled approximately $222 million.

As a result of the User Fee Review, City Council approved a new corporate policy for setting the price of a user fees and determining the amount that should be recovered. New policies to fully cost-recover costs, where appropriate, and the identification of additional opportunities for collecting user fees, are expected to result in higher user fee revenues in future years.

Annual salaries and benefits cost pressures are traditionally the largest component of the structural shortfall. As a result of successful labour negotiations in the winter of 2011/2012, these cost pressures have been reduced significantly. The City is expected to save approximately $150 million over 2012-2015 though changes to workplace practices and benefits, and benefit liability reduction. Increased management flexibility as a result of the new agreements will also allow managers to improve customer service while reducing costs further.

The 2008-2009 economic recession had put the City's fiscal capacity under additional stress. Revenues and expenditures that were sensitive to the economic conditions created additional operating budget pressures. As indicated earlier, certain economy-sensitive costs have not returned to the pre-recessionary levels. For example, Social Assistance caseloads have increased by about 30% in 2013 when compared with the 2008 level. On the other hand, low interest costs have offset some other budget pressures and have helped to boost construction activity in the City. The unemployment rate for City residents remains higher than elsewhere in Canada.

The Municipal Land Transfer Tax (MLTT) has helped to grow the City's revenues, contributing about 3% to the tax-supported operating budget. MLTT revenues have continued to grow since being first implemented in 2008 as low mortgage rates have helped to keep housing sales strong in the City of Toronto.

PHYSICAL INFRASTRUCTURE

The City owns a significant amount of physical assets - comprising roads, expressways, bridges, traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of $72 billion. The City's capital program is driven largely by the costs of maintaining these physical assets in a state of good repair.

	Estimated Physical Asset Value
Transportation	**$10 Billion**
Public Transit	**$14 Billion**
Water & Wastewater	**$28 Billion**
Facilties including Parks, Forestry & Recreation, Fleet	**$ 7 Billion**
Community Housing Infrastructure	**$ 9 Billion**
Other Programs	**$ 4 Billion**
Total	**$72 Billion**

The City's road network, the majority of which was constructed in the 1950s and 1960s, is in need of major repair and rehabilitation. In recognition of the need to reduce the State-of-Good Repair backlog related to the City's transportation infrastructure, 79% of the 2014-2023 Capital Plan for Transportation Services is dedicated to State-of-Good-Repair projects, compared to approximately 60% across all other Programs. The City's water and wastewater network is similarly aged — the average age of the City's watermains and pipes is 55 years and nearly 20% of them are more than 80 years old. Recognizing the need to eliminate the State-of-Good-Repair backlog by 2023, an annual water rate increase of 9% has been in place since 2006. After 2014, a lower rate increase of 3% has been factored into the Plan. During the 2014 budget proceedings, Council requested that staff also examine the impact of a higher water rate increase assumption of 8% for the period 2015-2017. City Council also requested that staff report back on additional financing options during the 2015 budget process.

In addition, capital requirements resulting from population growth and demographic changes will add additional financial pressures. The City's 2002 Official Plan projects population growth of up to a million people in the City of Toronto, raising the population to 3.5 million people in 30 years. More buses, social housing, recreation centres, etc. are required, which will put pressure on the City's capital and operating budgets to provide additional services, and build and operate new facilities.

The investment in physical infrastructure is typically funded by the following sources: federal and provincial funding where applicable, reserve and/or reserve funds, development charges, donations, operating contribution and debt. Debt is the funding source of last resort for capital purposes.

In setting the current Capital Budget and Plan, a key objective is to ensure that available resources are utilized to mitigate the State of Good Repair (SOGR) backlog and to minimize risks associated with delayed maintenance of the City's ageing infrastructure.

CAPITAL FINANCING AND DEBT

The City borrows money to finance capital expenditures. It cannot borrow to finance operating expenditures under the City of Toronto Act. The goal for capital financing is to maximize all funding from external sources, including federal and provincial governments, development charges, donations and reserve funding, before using City's own revenue sources, namely operating contribution and issuance of debt. Toronto has enjoyed relatively low debt levels; however, in light of the growing capital infrastructure needs, there is a sizeable and growing gap between future capital expenditure needs and ongoing sustainable revenue sources. The City does not have the fiscal capacity for necessary growth related expenditures, e.g. TTC, Transportation, etc. For the next ten years, the TTC is projected to make up the majority of the new debt required to fund the City's capital requirements, most of which is for new infrastructure and enhancement projects rather than state-of-good-repair projects.

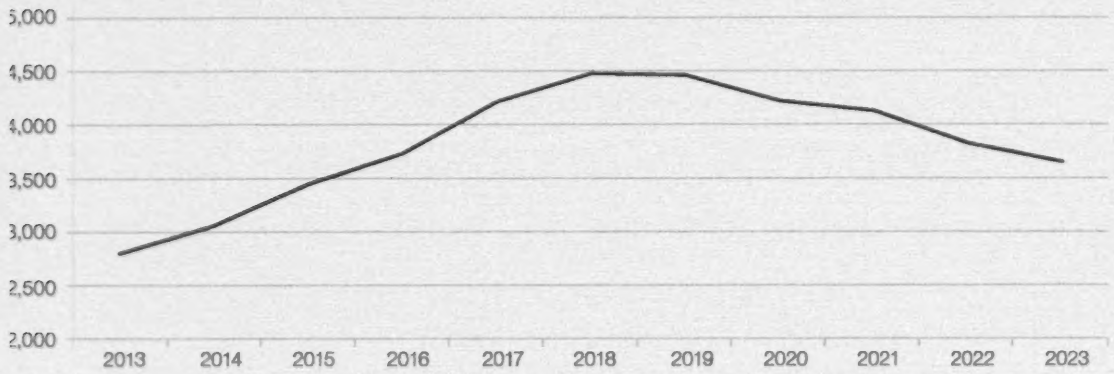
The City has implemented a framework for developing multi-year capital and operating budgets, and ensured that limited resources are aligned to priorities to maximize the benefits for Toronto's residents.

The City in 2010 refinanced parts of its current and future debt by paying down existing debt, and borrowed funds for selected projects on 30-year terms as opposed to the usual 10-year term. The 30-year debt was used to finance long-term assets and more closely match the life span of the infrastructure being built or purchased, e.g. subway tunnels and subway cars.

As well, the City used the proceeds of a Toronto Hydro promissory note that it held to pay down approximately $600 million of existing debt by prepaying the City's sinking fund.

Even with the above-noted actions, estimates showed that the City's net long-term outstanding debt would increase from $2.8 billion in 2013 to peak at nearly $4.5 billion in 2018, and decrease to $3.6 billion by 2023 as shown in the chart below.

CITY OF TORONTO
NET DEBT ($ MILLIONS)



City Council has ultimate authority in setting borrowing restrictions as the City of Toronto is exempt under the City of Toronto Act, and is not subject to the Provincial Municipal Act requirement that generally limits long-term borrowing of other municipalities to 25% of most own-source revenues (excluding development charges). Nevertheless, the City of Toronto's debt service limit is well under the Provincial standard.

City Council previously approved a debt service limit such that the debt service cost (annual principal and interest payments) should not exceed 15 per cent of property tax revenues in a given year. This limit means that at least 85 cents on each tax dollar raised is available for operating purposes. The City is expected to stay comfortably below the debt limit, even when debt charges associated with Scarborough Subway extension are factored in.

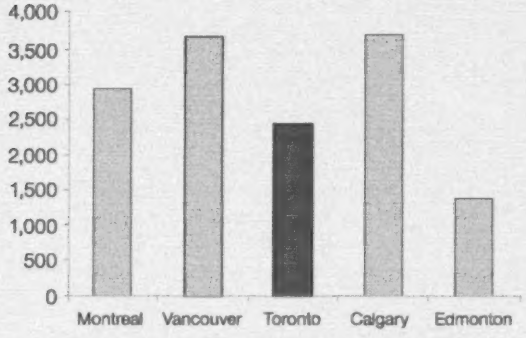
The 2014-2023 Tax-Supported Capital Budget and Plan required an additional $2 billion in new non-debt funding to address primarily TTC and Transportation Services' capital needs. Financing requirements are needed to fund both projects that have been approved as part of the 2012 and 2013 Capital Budgets and new/increased capital projects that are included in the 2014 – 2023 Capital Budget and Plan.

Comparison of Municipal Debt Burden – Major Canadian Cities

Overall, the City's debt burden is relatively modest and its net tax-supported debt per capita is comparable to other major Canadian municipalities. Interest costs as a percentage of total operating expenditures also compared favourably with the other major Canadian municipalities, as illustrated below:

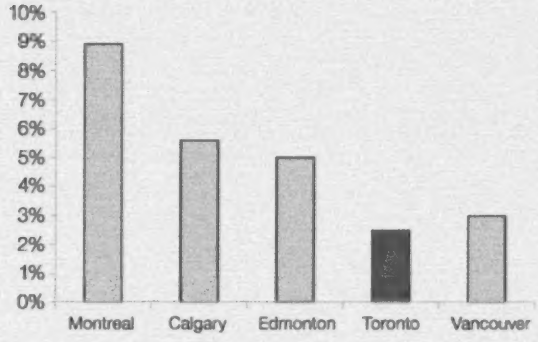
TORONTO'S NET DEBT COMPARES FAVOURABLY WITH MOST OTHER MAJOR CANADIAN CITIES

NET TOTAL DEBT PER CAPITA (2012) - DOLLARS



TORONTO'S INTEREST COST COMPARES FAVOURABLY WITH MOST OTHER MAJOR CANADIAN CITIES

INTEREST COSTS AS A PROPORTION OF OPERATING EXPENDITURES (2012)



Source: Canadian Municipal Fact Sheet - July 31, 2013

CAPITAL MARKET AND INVESTMENT ACTIVITIES

Capital Market Activity

During 2013, the City issued in the public capital market $300 million of the $900 million that was approved for the year, consisting of $300 million 10-year debentures.

Increasing the term-to-maturity of the City debt issuance to match the economic life of the City's infrastructure assets and providing liquidity to investors through larger bond issues are very important features of the City's debt issuance program which has been structured to issue debt with 10 and 30 year terms as well as the ability to reopen bond issues, depending upon capital market conditions.

The City continues to monitor the domestic and international capital markets as well as evaluating alternative financing vehicles to identify opportunities to achieve the lowest cost of capital funds.

Investment Activity

The City owns and manages the General Group of Funds and the Sinking Fund, each having specific goals and objectives. The General Group of Funds portfolio is composed of two individual funds (the Bond and Money Market Funds) that are managed interactively. The Bond Fund is positioned towards funding the City's future reserve and reserve fund requirements and therefore takes a longer view of the market. The Money Market portfolio is primarily focused on ensuring that adequate liquidity is maintained to meet the immediate cash flow requirements of the City's daily operations. The Sinking Fund is for the use of retiring the City's debt as it becomes due and payable. The City also manages other smaller funds where the assets are not owned by the City (e.g. Trust Funds).

A 3.07% annual rate of return on capital was achieved in 2013 for the General Group of Funds with investment earnings totalling $142.3 million (see table below).

2013 Investment Portfolio Income ($ 000's)

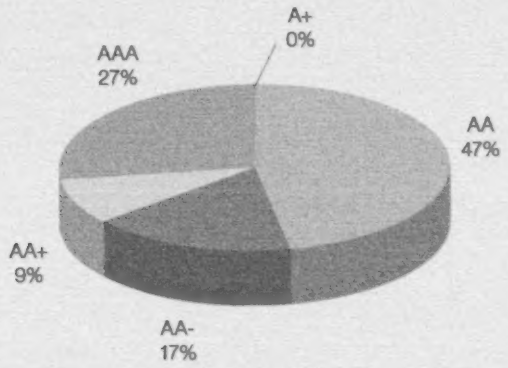
Portfolio	Average Capital Balance	Earned Income	Return on Capital
1. Bond Fund	$2,368,763	$113,546	4.79%
2. Money Market	$2,269,451	$28,797	1.27%
Total General Funds	**$4,638,214**	**$142,343**	**3.07%**

The lower return in 2013 compared to 2012 was primarily the result of three factors:

1. Higher than average non-recurring accounting realization of capital gains in 2012
2. Dilution of the portfolio yield - proceeds from maturities and new money were invested in the market when interest rates were lower than the overall portfolio interest rates
3. Lower allocation of investments to the Bond Fund

The City's bond portfolio continues to exhibit high credit quality and liquidity, especially during these extended periods of economic turbulence and market turmoil. The City does not hold any bonds with less than an "A" credit rating (see pie chart below).

CREDIT QUALITY OF BOND FUND
DECEMBER 31, 2013



Capital Markets Review for 2013

In 2013, Canada went from being the preferred global safe-haven in the past few years to an economy with slowing expansion, declining inflation and weakening commodity prices. Also, the TSX returned 10% (compared to 30% in the U.S.) and the Canadian dollar depreciated about 10%. The Bank of Canada continued its dovish shift from the moderately hawkish language introduced in April 2012 amid worries about an overheating housing market. Since June 2013, more emphasis was put on inflation running on the low side of the Bank of Canada's target, with an expectation that low interest rates will prevail for an extended period of time.

RESERVES AND RESERVE FUNDS

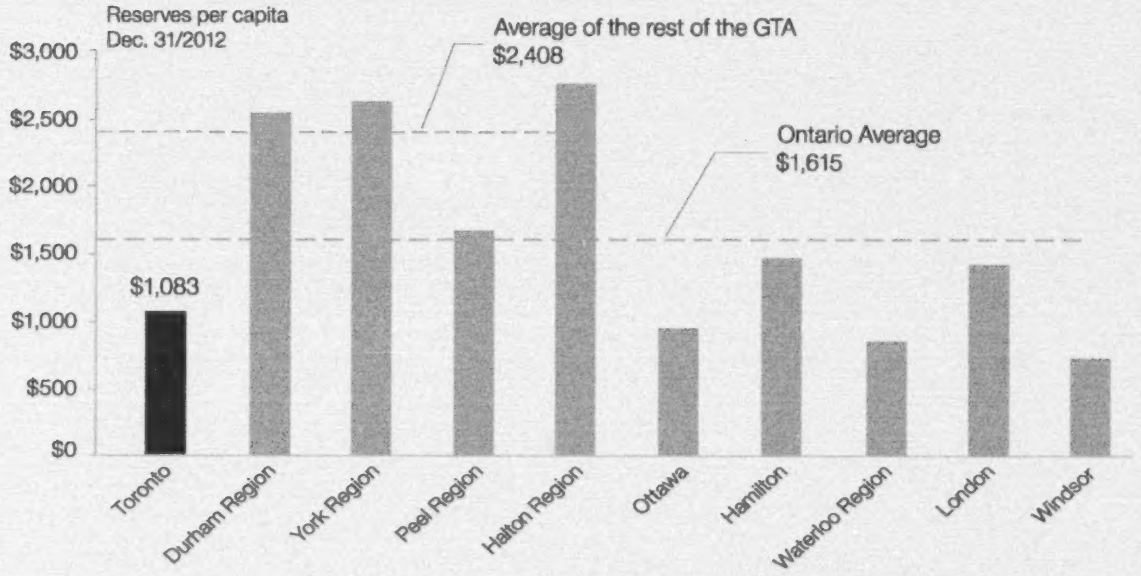
Reserves and Reserve Funds are monies set aside by Council to finance future expenditures for which it has authority to spend money, to defend the City against an unbudgeted or unforeseen event that may result in a budget deficit such as an economic downturn, to smooth out future program expenditures which may fluctuate from one year to the next, or to accumulate funds for future capital requirements or contingent liabilities. While the reserve fund balances would appear to be a large sum, it should be noted that the majority of these funds are committed to special purposes.

Toronto Municipal Code, Chapter 227 - Reserves and Reserve Funds - provides all pertinent information regarding the City's reserves and reserve funds, including definitions, the authority to establish new reserves and reserve funds, closing out inactive reserves and reserve funds, as well as the use and administration of reserves and reserve fund monies. A link to Chapter 227 of the Toronto Municipal Code is provided below:

http://www.toronto.ca/legdocs/municode/1184_227.pdf

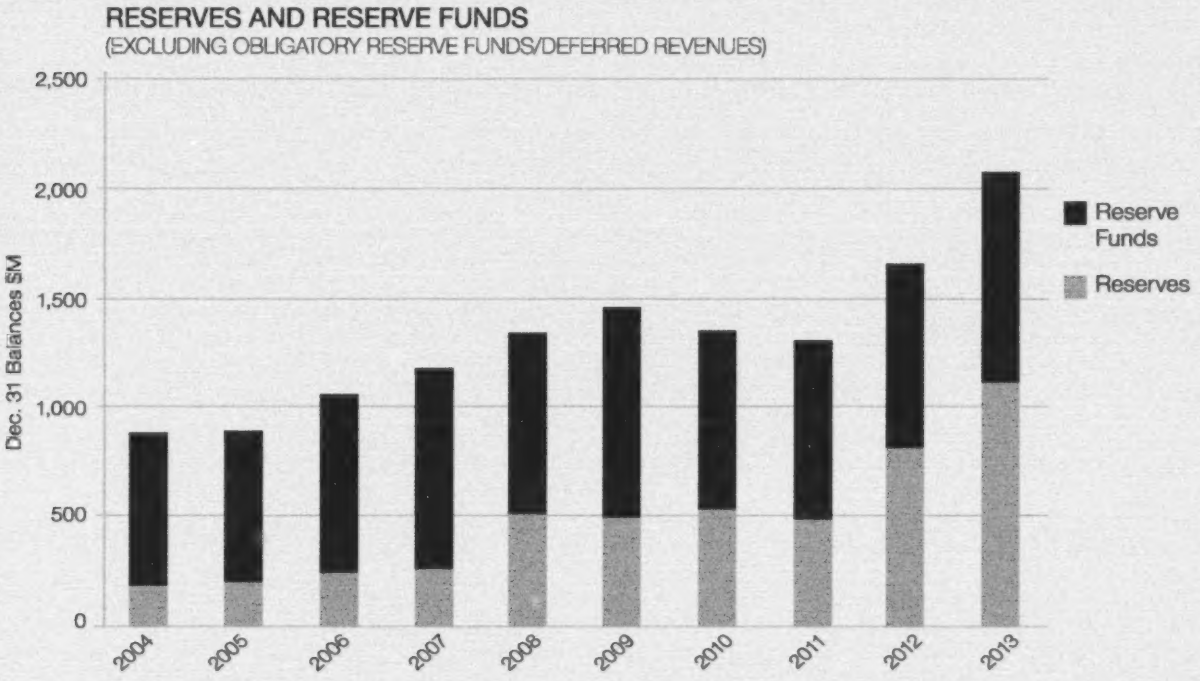
On a comparative basis, the City's overall reserve fund balance on a per capita basis is much lower than those in other Ontario jurisdictions. Toronto's 2012 reserve per capita of $1,083 was considerably less than the rest of the GTA ($2,408), and 67% of the provincial average ($1,615). The City has established long-term reserve strategies for major reserves, e.g. employee benefits reserves, landfill sites and water and wastewater stabilization reserves, to address and make sure that adequate funds are in place, including determining needs and establishing contribution policies.

RESERVE LEVELS ARE LOWER THAN THE REST OF GTA BUT SOMEWHAT COMPARABLE TO OTHER CITIES/REGIONS



Sources: Ontario Ministry of Municipal Affairs & Housing - 2012 FIR
Regional data consolidated for upper and lower tiers
Balances include Obligatory Reserve Funds/Deferred Revenues

The following chart shows the historical trend of reserve and reserve fund balances since 2004. In 2013, the year-end balance continued to increase sharply, in part due to operating surplus funds being directed to the Capital Financing Reserve and other underfunded Reserves and Reserve Funds as mandated by Toronto City Council's Surplus Management Policy.



DEFERRED REVENUES

Funds that are set aside for specific purposes by legislation, regulation or agreement and may only be used in the conduct of certain programs or the completion of specific work are reported as Deferred Revenues (previously Obligatory Reserve Funds). These include funds received from the other orders of government, Development Charges from third parties earmarked for certain purposes, e.g. Transit, Social Housing, Parkland Acquisition, Long Term Care Homes and Services. These amounts are recognized as liabilities in the year the funds are deposited, and received into revenue in the fiscal year the related expenditures are incurred or services performed. These funds are all committed, some of which will be used to fund some of the City's priority capital needs like transit expansion, and are not available at Council's discretion.

REVENUES

PROPERTY TAX

Property tax revenue is the City's single largest source of revenue. The City collects $3.7 billion from residential and business property owners, which represents 39% of its total tax-supported Operating Budget.

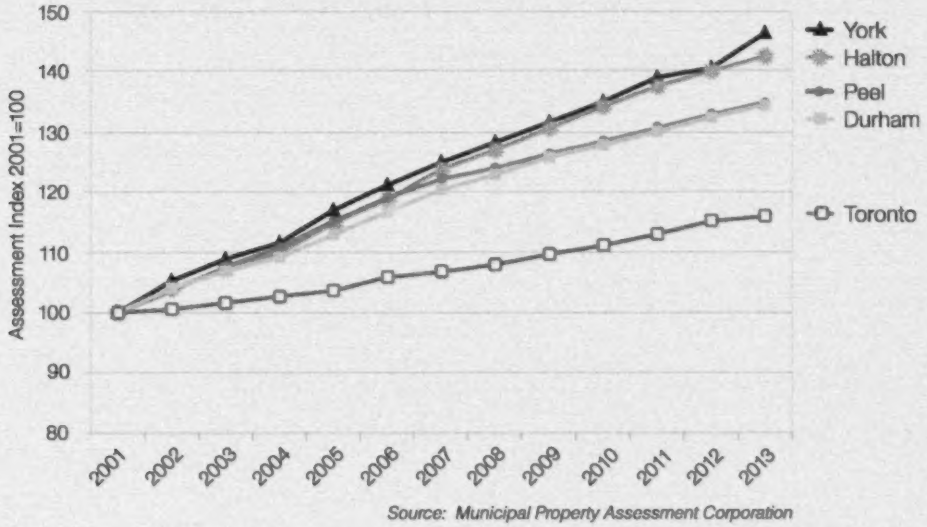
Each year, the City is required by provincial legislation to establish tax rates that raise property tax revenues in the amount of the City's budgetary requirement. In addition, the City is also required to levy and collect property taxes for school purposes at the education tax rates set by the Province.

The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential) subject to any legislative or Council-mandated adjustments. The total tax rate for a class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to raise the amount required by the Province for education funding.

The Municipal Property Assessment Corporation (MPAC), a provincial agency, is responsible for property assessment in Ontario and preparing the assessment rolls for municipalities on a Current Value Assessment (CVA) basis. The CVA of a property represents an estimated market value, or the amount that the property would sell for in an open market, arm's length sale between a willing seller and a willing buyer at a fixed point in time.

Over the last two decades, the GTA experienced quite remarkable economic and population growth following the recession of the early 1990s. The Toronto region (CMA) contains a number of the fastest-growing municipalities in Canada. The bulk of the new construction and the associated assessment increases are located in the surrounding areas in the GTA. For example, from 2001 to 2012 the rest of the GTA had assessment increases in excess of 30%: York Region: 46%, Halton Region: 43%, Peel Region: 35%, and Durham Region: 34%. By contrast, Toronto's property assessment in 2013 is just 16% above its 2001 level, partly due to the conversion of certain industrial properties into residential properties. This trend is illustrated in the chart to follow:

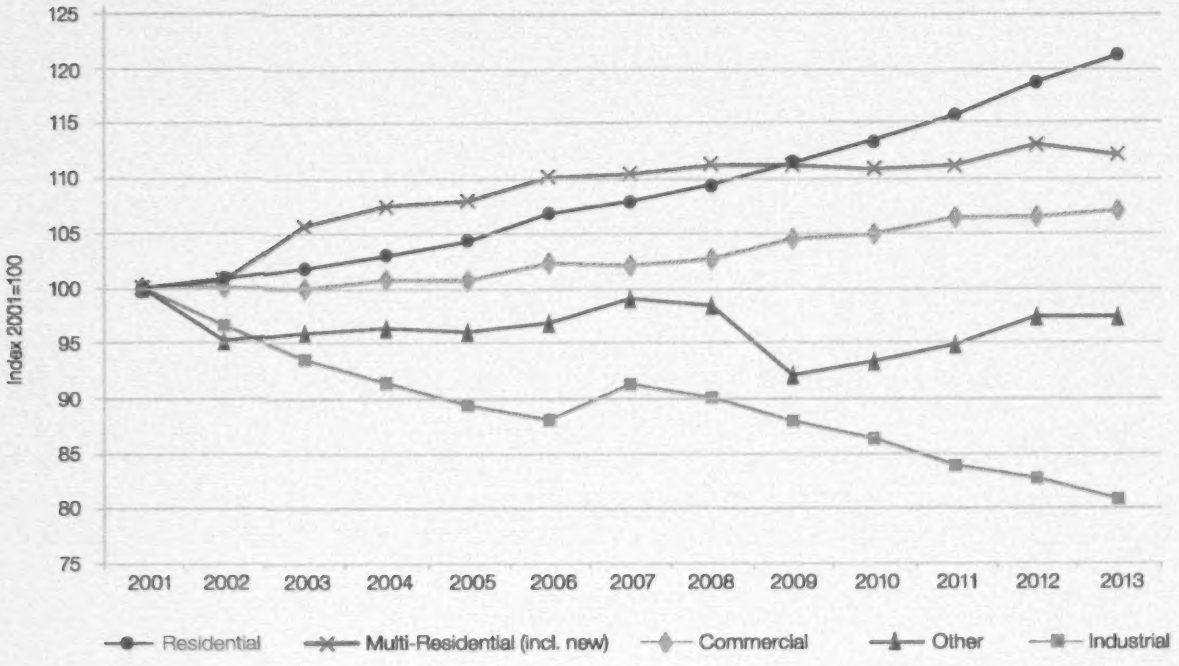
TORONTO DOES NOT HAVE THE SAME ASSESSMENT GROWTH ENJOYED BY THE NEIGHBOURING REGIONS



Source: Municipal Property Assessment Corporation

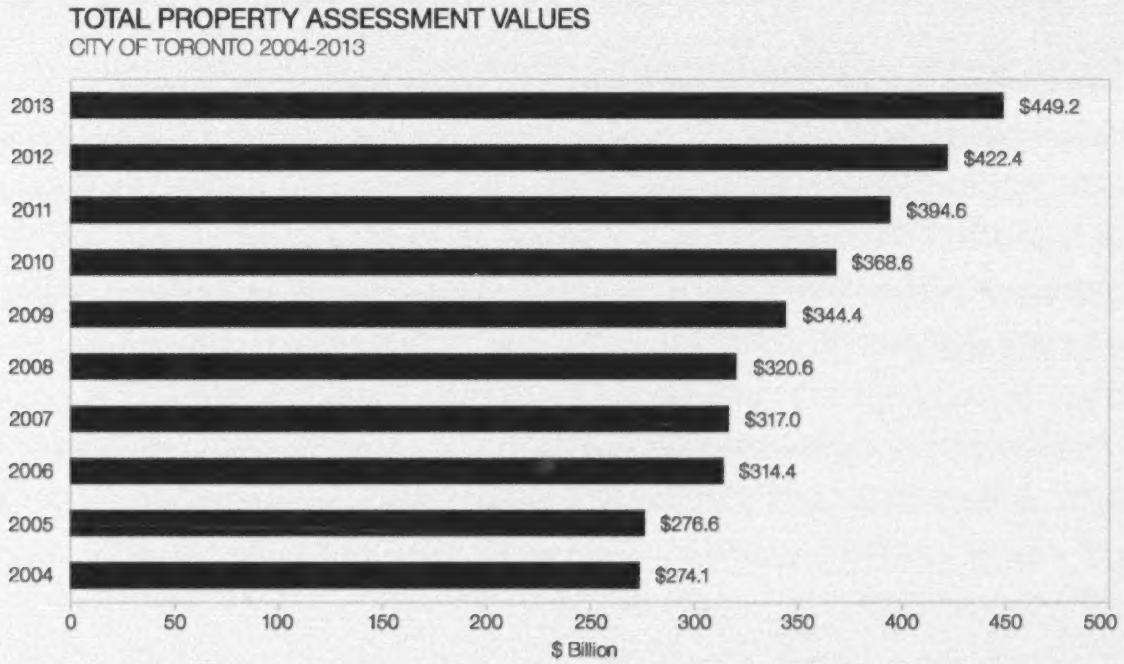
Since 2001, the total CVA of the City's properties has experienced a true net growth of 16% when the impacts of property reassessment are removed. Within the various property classes, residential properties had a true growth of 21%, and multi-residential properties had an increase of 12%. For the non-residential properties, while commercial properties had a modest 7% in true assessment growth, industrial properties had a net decrease of 19%. These trends are illustrated in the chart to follow:

TORONTO'S TRUE ASSESSMENT GROWTH
(EXCLUDING REASSESSMENT IMPACT)
2001-2013



Property Assessment

The following chart depicts the total value of all property classes of the City of Toronto's current value assessment in each of the years from 2004 to 2013.



Beginning in 1998, Ontario municipalities whose commercial, industrial or multi-residential tax ratios exceed threshold ratios established by the Province, were restricted from passing on municipal levy increase to those classes. In Toronto, tax ratios for the commercial, industrial and multi-residential tax classes all exceed the provincial thresholds, as shown in the following chart. In years prior to 2004, this meant that no municipal levy (budgetary) increases could be passed on to these classes as the tax ratios exceed the threshold limits. This meant that instead of accessing the full assessment base, the City could increase tax rates only on the residential class at the time.

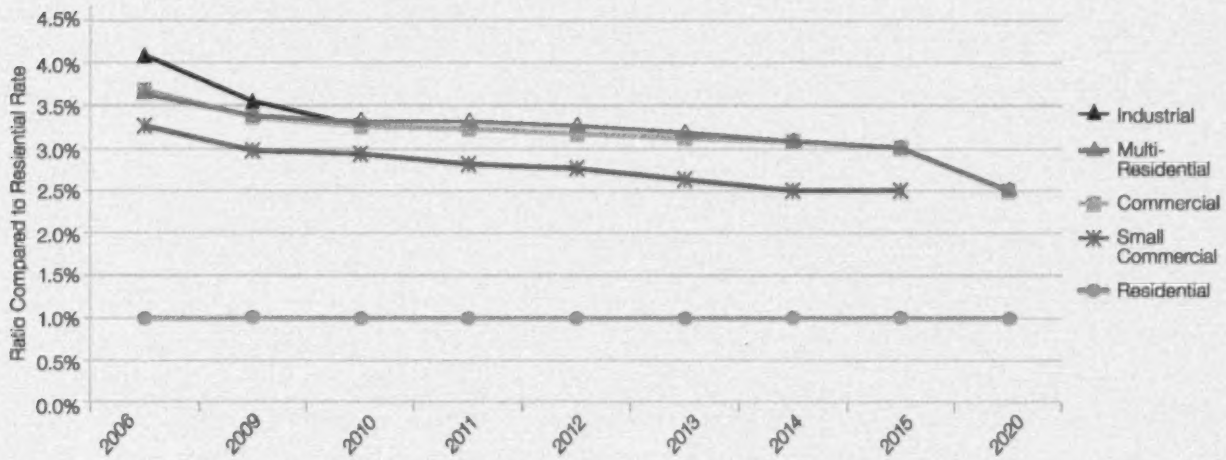
Toronto's Tax Ratios vs. Provincial Threshold Ratios

	Taxation Years								
	2001	2007	2008	2009	2010	2011	2012	2013	Provincial Threshold Ratios
Multi-residential	4.174	3.546	3.469	3.380	3.316	3.316	3.316	3.224	**2.74**
Commercial	3.798	3.584	3.506	3.373	3.267	3.237	3.212	3.160	**1.98**
Commercial Small			3.410	3.265	3.108	3.020	3.070	2.997	**1.98**
Industrial	5.301	3.920	4.740	3.547	3.375	3.237	3.212	3.160	**2.63**

Since 2004, the Ontario Government has in its annual budget introduced regulations, on a one-time basis, made adjustments to the municipal rules under the Ontario Property Tax System, which amongst other things, allowed tax rate increases on the non-residential classes to be no more than 50% of the tax rate increase for the residential tax class. Although the relaxing of the restriction on non-residential classes is not permanent, it does provide partial relief from the budgetary levy restrictions imposed by Provincial legislation.

In late 2005 Council approved a comprehensive property tax policy "Enhancing Toronto's Business Climate - It's Everybody's Business" to improve the business climate in the City. In 2006, Council implemented the policy of limiting municipal tax rate increases within the Commercial, Industrial, and Multi-Residential tax classes to one-third of the residential tax rate increase (i.e. a 3% residential tax increase would result in a 1% non-residential tax rate increase). This measure was designed to reduce non-residential tax ratios to 2.5 times the residential rate over 15 years. In addition, the policy provided for an accelerated tax rate reduction for neighborhood retail and small businesses that will see their tax ratios fall to 2.5 times residential within ten years (2015).

BUSINESS TAXES HAVE BEEN REDUCED



Other City efforts to enhance competitiveness have resulted in a successful agreement with the provincial government to reduce Business Education Tax (BET) rates for the City of Toronto businesses closer to the average of the surrounding GTA municipalities, creating a new, fair water rate structure for industrial and manufacturing companies and continuing the relief of development charges for the city's commercial industry.

The Municipal Act and the City of Toronto Act also mandate limits on re-assessment related tax increases to 5% per year for the commercial, industrial and multi-residential property classes. The amount of tax revenues foregone as a result of this cap, however, is fully recovered by an equivalent amount that is clawed-back from properties facing tax decreases.

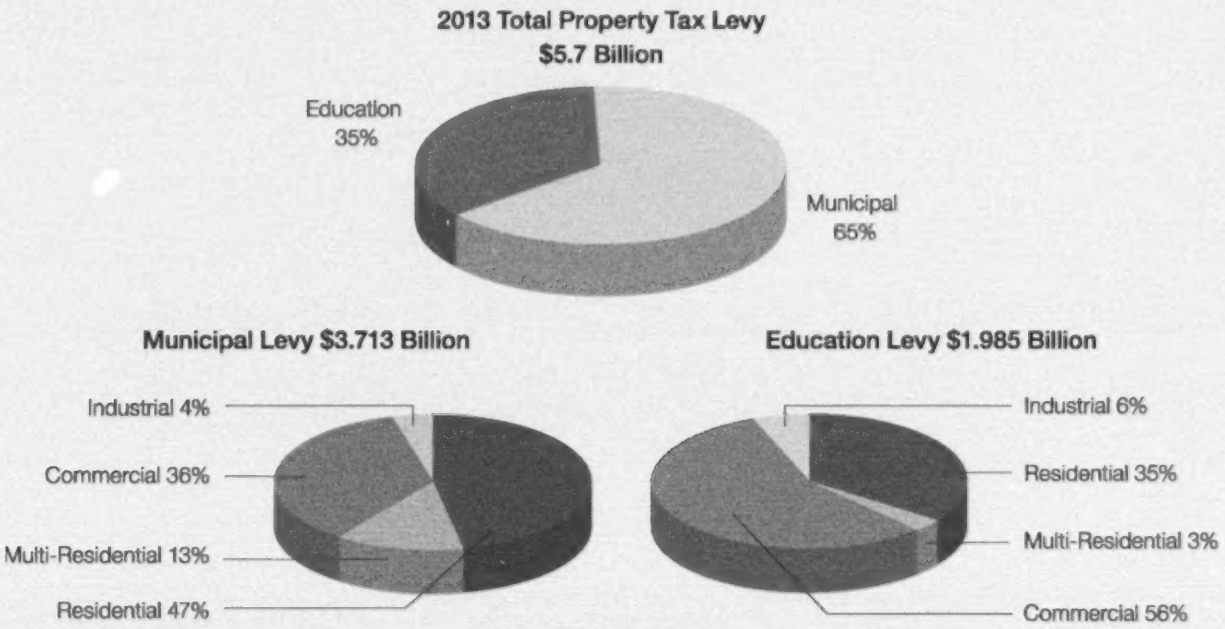
Special provisions to provide tax relief for low-income seniors and disabled persons, as well as charities and similar organizations, are also required.

Tax relief policies in effect for 2014 include:

- The cancellation of any tax increase for seniors aged 65 or older, or disabled person living with a household income of $38,000 or less, who have occupied their home for at least one year, and the home's assessed value is less than $650,000.
- The interest free deferral of any tax increase for seniors aged 50 years or older or disabled persons, whose household income is $50,000 or less and have owned the property for at least one year.
- A 40% rebate of taxes paid for registered charities owning or occupying space in commercial or industrial properties.

The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential). The total tax rate for a class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to fund the costs of education. The chart below illustrates the 2013 taxes payable for the average household in Toronto with an assessed value of $474,368.

TORONTO 2013 PROPERTY TAX LEVY



	2013 Tax Rate	2013 Property Tax
Municipal Purposes	0.5337653%	$2,532
Educational Purposes	0.2120000%	$1,006
Total	**0.7457653%**	**$3,538**

FUNDING TRANSFERS FROM OTHER GOVERNMENTS

The City receives grants and subsidies from other orders of government which are mainly for mandated programs such as Social Assistance, Child Care, Public Health, Social Housing, and some Transit capital funding. These transfers represent about 21% of its Tax-Supported Operating Budget.

USER FEES

User fees are the City's third largest source of funding for the Operating Budget after Grants and Subsidies from Other Governments. Excluding Rate-Supported Programs, the City collects over $1.6 Billion in user fee revenues annually through approximately 3,000 individual user fees.

As a result of a comprehensive User Fee Review in 2011, City Council approved a new corporate policy for establishing the initial and annual price of a user fee and determining the amount that should be recovered. A discussion of the key principles of the new user fee policy is provided in the Fiscal Capacity section.

A new funding system for Solid Waste Management Services, the volume-based rate structure, was implemented November 1, 2008 to fund the service objective of 70% waste diversion. This funding plan transforms Solid Waste Management (garbage, recycling, green bin, litter prevention, landfill management and other diversion programs) from being property-tax-based to user-fee-based, and its fees are now part of the City's Utility Bill, together with the water charges. The entire Solid Waste Management program is now funded from revenue other than property taxes (representing user fees, funding from Waste Diversion Ontario, and sales proceeds from recyclable materials).

DEVELOPMENT CHARGES

Development charges are fees collected from developers at the time a building permit is issued and represent an important source of funding for the Capital Budget. The fees help pay for the cost of growth-related, eligible capital projects (and related operating costs). Most municipalities in Ontario use development charges to ensure that the cost of providing infrastructure to service new development is not imposed on existing residents and businesses in the form of higher property taxes.

City Council adopted a new Development Charges Bylaw on October 8-11th, 2013, in accordance with the requirements of the Development Charges Act, 1997 and related Regulations, with higher rates - 75% increase in residential rates and 25% for non-residential rates. In order to mitigate the potential adverse effect of the higher development charges on the rate of development in the City, the new by-law includes a schedule to phase-in the adopted rates over a two year period.

The following categories of services are eligible for varying pre-determined portions of development charge revenues

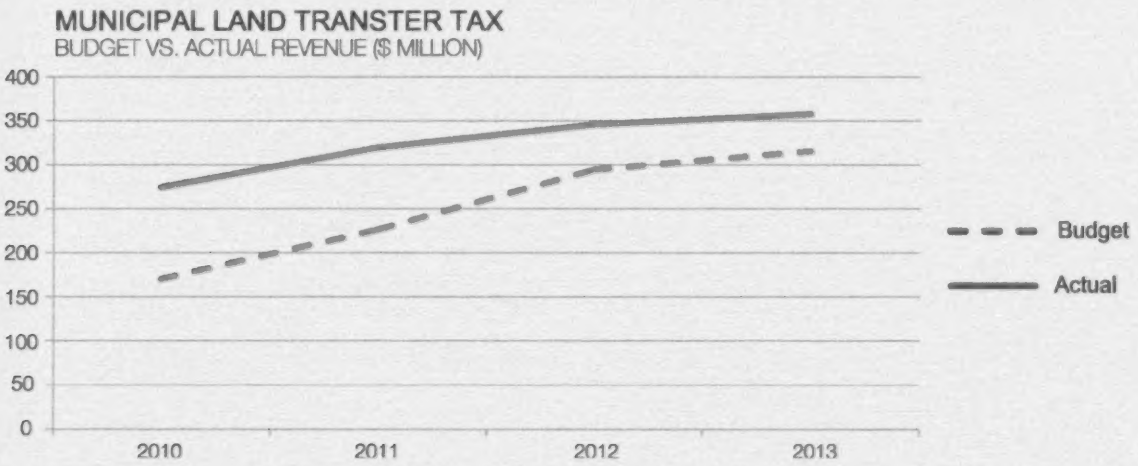
- Spadina Subway Extension – 8.0%
- Transit (Balance) – 26.1%
- Parks and Recreation – 16.2%
- Library – 4.5%
- Subsidized Housing – 3.7%
- Police – 2.1%
- Fire – 1.0%
- Emergency Medical Services – 0.6%
- Development-related Studies – 0.8%
- Civic Improvements – 0.6%
- Child Care – 1.0%
- Health – 0.2%
- Pedestrian Infrastructure – 0.2%
- Roads & Related – 13.5%
- Water – 11.0%
- Sanitary Sewer – 8.3%
- Stormwater Management – 2.2%

Note: Percentages relate to Development Charges for a Two Bedroom and Larger Apartment on November 1st, 2014

OTHER TAXATION

The City of Toronto is the only Ontario municipality with the legislative authority (City of Toronto Act, 2006) to allow it to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented on February 1, 2008, and Personal Vehicle Tax (PVT) on September 1, 2008. In 2010, the two taxes brought in revenues in excess of $320 million, or approximately 3% of the total tax-supported Operating Budget. On December 16, 2010, however, City Council approved the termination of the City's Personal Vehicle Tax (PVT) effective January 1, 2011.

MLTT revenues continue to exceed expectations. In 2013, MLTT net revenues reached $357 million, as continued low mortgage rates have helped to keep housing sales strong in the City of Toronto. The chart to follow illustrates how actual revenues from 2010-2013 compared with budget revenues.



City Council approved the Third Party Sign Tax in 2009. Implementation of the tax, however, was delayed by a court challenge from the outdoor advertising industry. After a favourable court ruling in 2012, the City began a retroactive collection of sign tax revenues for the period from 2009 to 2012. In 2013, City Council approved a plan to use retroactive and future Third Party Sign Tax revenues, which generates approximately $11 million per year, to boost Arts & Culture funding.

CREDIT RATING

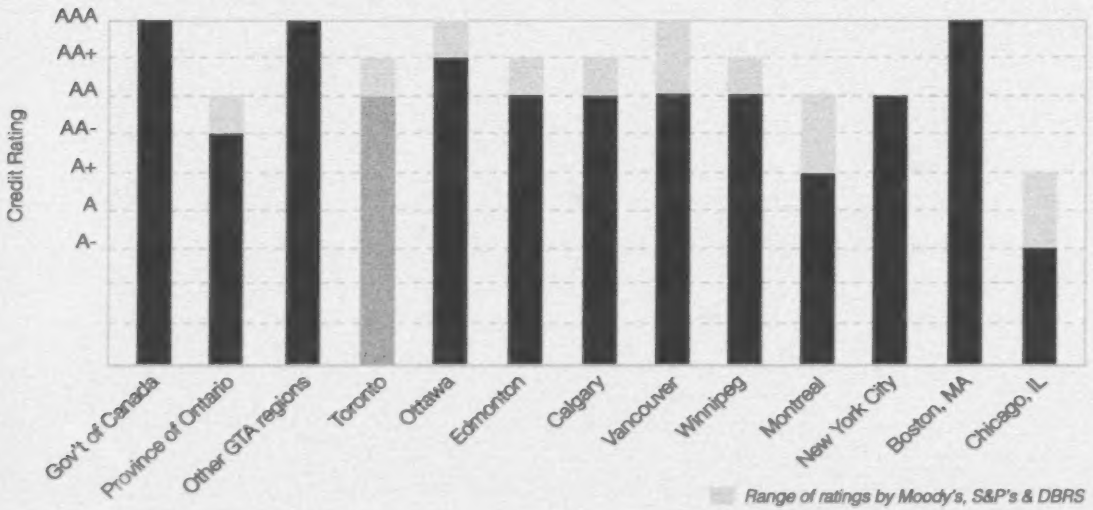
The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to ensure that the City's ability to access the most cost-effective world capital markets will continue as it needs to borrow funds for capital purposes.

Credit rating agencies assess the City's financial position by comparing it with other cities and regions. A number of factors affect the credit rating, such as quality of management; strength of economy; level of reserves, state of repair of assets, debt levels, etc. If a municipality's current debt levels and future trends appear to be high, this will have a negative impact on its credit rating. If debt levels are considered low, this will have a positive impact. The rating essentially indicates the City's ability to make payments on the debt now and in the future.

Credit ratings affect the City's ability to borrow, as well as the cost of borrowing. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors to invest in City debt. Below a certain rating, investors may have policies that don't allow them to purchase the City's debt. Then the City would have to offer a higher interest rate to attract investors.

The City's credit rating remains comparable to other large North American cities such as New York, Calgary, Edmonton and Vancouver.

TORONTO'S CREDIT RATING



Range of ratings by Moody's, S&P's & DBRS

Toronto's credit rating: Moody's: Aa1 (=AA+); DBRS: AA (stable), S&P's: AA (stable)

Currently, the City of Toronto's credit ratings are:

- AA with a stable trend from the Dominion Bond Rating Service Ltd.(DBRS) – confirmed April 2014
- AA with a stable outlook from Standard and Poor's Canada (S&P's) – confirmed August 2013
- Aa1 with a stable outlook from Moody's Investor Service – confirmed April 2013

City of Toronto's Credit Rating History	1997 and prior	1998-2001	2002-2013
Dominion Bond Rating Service	AAA	AA (High)	AA (Stable)
Standard and Poor's	AA+/AAA	AA+	AA (Stable)
Moody's Investors Service	Aa2	Aa2	Aa1 (Stable) (Equivalent to AA+)

Credit Rating agencies regularly issue reports respecting the industries and individual issuers. Here are some of the excerpts from those reports that generally explain the high rating held by the City of Toronto.

"DBRS has confirmed the ratings of the City of Toronto (the City or Toronto) at AA. All trends remain stable reflective of the City's ability to levy taxes on a large, well-diversified economy, and demonstrated fiscal prudence in recent years.... Encouragingly, operating expenditures declined by 2.7% in 2012, as spending was down across most departments Unfilled staffing vacancies and negotiated settlements spurred the decline, as did a milder winter which led to lower repairs and maintenance spending at the TTC and the transportation department ... Interest costs remained affordable at 2.8% of operating expenditures in 2012, and were favourable to other DBRS-rated municipalities. Liquidity remained healthy, as cash and investments (net of deferred revenue), rose to 3.3 billion at year-end 2012."

DBRS, April 24, 2014

"The ratings on the City of Toronto, in the Province of Ontario, reflect Standard & Poor's Ratings Services' view of Toronto's wealthy and diversified economy, low debt burden, "very positive" liquidity, and "positive" financial management. The ratings also incorporate our view of the city's large (although improving) after-capital deficits and large unfunded employee benefit liabilities...Toronto has what we consider to be a wealthy and exceptionally diversified economy, providing stability to its budgetary performance. The economy's main wealth generators -- namely the financial, professional, scientific and technical service sectors -- performed well though the global recession, maintaining fairly steady employment from 2007-2012. We expect these, alongside the city's institutional and retail sectors to continue supporting employment and personal income levels over the next two years."

Standard & Poor's, August 14, 2013

"The City of Toronto's debt rating of Aa1 reflects the city's low debt burden and correspondingly low debt service ratios, as well as the positive operating results recorded by the city over the past several years despite challenging financial circumstances which have necessitated the use of non-recurring measures to achieve balanced operating deficits. The high investment-grade rating also reflects a large and diversified economy, which remains a source of credit strength, providing access to a broad tax base. Moreover, the rating is supported by the city's high levels of net cash and investments, which provide substantial liquidity that could be tapped to mitigate unanticipated shocks, a considerable measure of safety for debenture holders. These high levels of internal liquidity are also reflected in the Prime-1 (P-1) rating assigned to its US commercial paper program."

Moody's Investors Service, April 26, 2013

TORONTO'S LONG-TERM FISCAL PLAN

City Council unanimously approved the Long-Term Fiscal Plan at its meeting on April 12, 2005, as recommended by the Ad Hoc Committee to Develop a Long-Term Fiscal Plan. The Long-Term Financial Plan identified eight major financial issues relating to Expenditures, Revenues, and Assets & Liabilities, and contained 25 financial strategies, 17 fiscal principles and five financial policies.

Implementation of the Plan

The City has made much progress since introducing the comprehensive Long-Term Fiscal Plan (LTFP) in 2005. City Council has taken many steps to implement the recommendations of the Plan, while working with other orders of government to improve the funding of capital programs such as transit, and provincial cost-shared programs.

The following LTFP Scorecard summarizes the major financial issues identified in the 2005 Plan and the current status:

Identified in the Long-Term Fiscal Plan 2005	Current Status	Score
Well Managed (Expenditures) • City has higher costs than other municipalities • Demands for growth need to be adequately funded • Upload of social services and transit partnership	Costs reduced	✔
	Expenditures growth slowed - but still growing	✔
	Social Services & Court Security upload. Restore 50% funding on OW admin costs	✔
	Upload of Social Housing costs	✘
	Restore 50% provincial funding for transit operating costs	✘
Affordable (Revenues) • Business taxes need to be more competitive • Revenue growth need to match responsibilities/growth • Province needs to properly fund income support programs • New revenues for City building and growth	Improving business competitiveness	✔
	Revenues diversified - Provincial upload on schedule; user fees enhanced	✔
	Secured permanent share of Fed/Prov. Gas Tax	✔
	Share of Harmonized Sales Tax	✘
Sustainable (Assets & Liabilities) • Ageing infrastructure must be replaced while minimizing debt • Employee benefits and other liabilities need to be adequately funded	10 Year Capital Plan - More than 70% to be spent on State of Good Repair (SOGR) -	✔
	Debt increase mitigated	✔
	Sick Pay liability partially capped, but some liabilities still growing	–

Legend ✔ Improving or compares favourably – Stabilizing or work in progress

Update of the Long-Term Fiscal Plan

The Long-Term Fiscal Plan is currently being updated as one of 26 strategic actions of the City's 2013-2018 Strategic Plan. The revised plan is scheduled to be presented to City Council in early 2015.

PERFORMANCE MEASUREMENT AND BENCHMARKING RESULTS

To provide context when examining Toronto's service delivery performance, it is important to consider that municipal property taxes represent only approximately 9 per cent of the total taxes, in all forms, paid annually by an average Ontario family to all orders of gmvovernment. These various forms of taxes include income taxes, Employment Insurance and Canada Pension Plan premiums, consumption taxes such as the HST, and embedded taxes, which are included in the price of items such as gasoline, liquor and tobacco.

Toronto's 2012 Performance Measurement and Benchmarking results, is available at *www.toronto.ca/progress*, and focuses on how Toronto utilizes its 9 per cent share of the total tax dollar and includes:

- Approximately 235 service / activity level indicators and performance measurement results (efficiency, customer service and community impact) in 35 different service areas;
- Up to ten years of Toronto's historical data to examine internal trends;
- A comparison of Toronto's 2012 results externally to 15 other municipalities through the Ontario Municipal CAOs' Benchmarking Initiative (OMBI), which now includes the Cities of Calgary and Winnipeg;
- Colour-coded summaries of results and supporting charts to describe those trends;
- A description of 2013 achievements and planned 2014 initiatives that will further improve Toronto's operations in the future; and
- Web links where similar neighbourhood-based data is available through Wellbeing Toronto (*http://map.toronto.ca/wellbeing/*) that complements the city-wide information.

SUMMARY OF TORONTO'S 2012 PERFORMANCE MEASUREMENT & BENCHMARKING RESULTS

Toronto is unique among Canadian municipalities because of its size and role as Ontario's and Canada's economic engine and centre of Ontario's business, culture, entertainment, sporting and provincial and international governance activities. The most accurate comparison for Toronto is to examine its own year-over-year performance and longer term historical trends.

Notwithstanding Toronto's unique place in Ontario, there is also value in comparing Toronto's results to the results of other municipalities, to provide an external perspective.

By examining our own operations and by working with other municipalities through the OMBI process, these practices encourage Toronto's service areas to continuously look for opportunities to improve operations and performance. Many of these improvement efforts completed in 2013 or planned for 2014 are summarized in the report including:

- Initiatives to improve customer service
- Efficiency improvement initiatives
- Initiatives to improve effectiveness
- Initiatives to improve the quality of life for Torontonians

SUMMARY OF TORONTO'S RESULTS

The 35 municipal services included in the report each have a colour coded summary of results at the front of their respective sections, and are supported with and referenced to charts and detailed narratives for approximately 235 indicators and measures. Highlights of Toronto's overall results are described below.

Internal Comparison – Service/Activity levels indicators

Of the 48 service/activity level indicators included the report, levels in Toronto in 2012 increased or were maintained (stable) for 73% of the indicators in relation to 2011.

Examples of some of the areas in which Toronto's 2012 service levels or levels of activity increased were:

- Increased amount invested in childcare per child aged 12 and under
- Increased number of emergency shelter beds
- Increased amount of parkland
- Increased number of indoor swimming pools

Internal Comparison – Performance Measures

Of the 185 performance measurement results of efficiency, customer service and community impact included in the report, 70% of the measures examined had 2012 results that were either improved or stable relative to 2011.

Examples of areas where Toronto's 2012 performance improved include:

Community Impact Measures:

- Decreased rate of fire related fatalities
- Decreased rates of total crime, violent crime, property crime and youth crime
- Decreased number of watermain breaks
- Reduced rates of wastewater bypassing full treatment, and wastewater main back-ups
- Decreased rate of vehicle collisions
- Increased number of transit passenger trips per person
- Increased number of green vehicles in the City's fleet
- Increased solid waste diversion rates (from landfill sites) for both houses and apartments
- Increased visits to the City's web site
- Decreased length of stay in emergency shelters

Customer Service and Quality Measures:

- Shorter/improved EMS response times
- Shorter/improved Fire Services response times
- Increased clearance rates for violent crimes and total crimes
- Increased average borrowing/circulation for each item in the Library's circulating collection
- Increased utilization rate of registered sports and recreation programs
- Increased percentage of invoices paid within 30 days
- Continuing high satisfaction levels of residents in long-term care homes
- Decreased/shorter time to inform a client that they are eligible for social assistance

Efficiency measures:

- Decreased operating costs to:
  - Administer a social assistance case
  - Administer a social housing unit
  - Provide a transit passenger trip
  - Transport an EMS patient and have an EMS vehicle in service for an hour
  - Maintain a km of road
  - Provide library service/use
  - Provide an emergency shelter bed
  - Respond to a freedom of information request
  - Maintain a tax account
- Increased utilization (passenger trips per vehicle hour) of transit vehicles
- Improved collection of property tax arrears

EXTERNAL COMPARISON – SERVICE/ACTIVITY LEVEL INDICATORS

There are 56 service/activity level indicators included in the report for which Toronto's results can be compared and ranked with other municipalities. Toronto's service/activity levels are at or higher than the OMBI median for 57 per cent of the indicators.

There were only small changes in Toronto's quartile rankings for each of the service/activity level indicators in relation to other municipalities between the 2011 and 2012 benchmarking reports. Any changes in Toronto's quartile ranking for individual indicators will likely only occur over much longer time periods.

Some of the key factors that influence Toronto's results for service/activity level indicators in relation to other municipalities include the following:

- Services where Toronto's size and high population density requires higher service levels, indicative of large densely populated cities, such as higher levels of police staff, more transit vehicle hours and a larger library collection
- Higher needs and demands in a large city like Toronto for social programs such as childcare, social assistance, social housing and emergency hostels/shelters
- Fewer facilities or less infrastructure can be required in densely populated municipalities like Toronto because of proximity and ease of access, while other less densely populated municipalities require proportionately more facilities or infrastructure to be within a reasonable travel distance of their residents. Examples include the number of recreation facilities, libraries and kilometres of roads
- Fewer emergency services vehicle-hours may be required in densely populated municipalities like Toronto because of the close proximity of vehicles and stations to residents, which allows for more timely emergency response. This proximity, however, can be partially offset by higher traffic congestion, which reduces the speed of responding vehicles. Those municipalities with lower population densities may require proportionately more vehicle hours in order to provide acceptable response times

EXTERNAL COMPARISON – PERFORMANCE MEASURES

There are 151 measures of efficiency, customer service and community impact in the report where Toronto's results can be compared and ranked with other municipalities.

Toronto's results are higher than the OMBI median for 51 per cent of the measures. There was very little change in Toronto's quartile ranking for each of the performance measures in relation to other municipalities between the 2011 and 2012 benchmarking reports. Changes in Toronto's quartile ranking for individual measures are more likely to occur over a five year period or longer.

Areas where Toronto has the top/best result of the OMBI municipalities include:

- Highest percentage of roads among single-tier municipalities, with a pavement condition rating of good to very good
- Best possible result of 100% of winter event responses that meet the standard
- Highest solid waste diversion rate for houses
- Highest number of conventional transit trips per person
- Highest percentage of maintained parkland in relation to geographic area
- Shortest time required to inform a client that they are eligible for social assistance

Other examples where Toronto's performance is better than the OMBI median include:

- Higher rates of total construction value of all building permit types
- Lower rates of fires as well as fire-related related injuries and fatalities, and a shorter/quicker response time
- Lower cost of EMS per patient transported
- Higher proportion of patients with cardiac arrest that have their pulse return upon arrival at the hospital
- Lower rates of youth crime and property crime
- Higher levels of library use per capita
- Lower cost to administer a social housing unit
- Lower proportion of property tax arrears
- High utilization rate of transit vehicles (trips per vehicle hour) and a lower operating cost to provide a passenger trip
- Higher utilization rate of registered sports and recreation programs
- Lower Court/POA costs per charge filed
- Lower cost to treat drinking water
- Lower amount of reactive (unplanned) vehicle maintenance as a percentage of all vehicle maintenance
- Lower cost of managing investments and a higher rate of return on those investments
- Lower cost of governance and corporate management

OTHER METHODS OF ASSESSING TORONTO'S PROGRESS

Toronto's award winning initiatives

- The City of Toronto received the Award of Excellence for outstanding achievement in heritage planning and policy for the City Planning Division's Official Plan Amendment 199: "Official Plan Heritage Policies." The award was given by the Canadian Association of Heritage Professionals (CAHP), which honours the work of CAHP members.
- The City was presented with the Michael Comstock Community Builder Award from the Toronto Association of Business Improvement Areas, acknowledging the City's current and past partnership with more than 35,000 businesses in 77 Business Improvement Areas (BIAs) across the city.
- The Employment and Social Services Division won a municipal Award for Excellence in Public Service Delivery for their City Services Benefit card project, awarded by the Government Technology Exhibition and Conference on October 7, 2013.
- The City of Toronto was recognized by Toronto Region Immigrant Employment Council for being one of the leading contributors of mentors to The Mentoring Partnership.
- Long-Term Care Homes & Services staff at Fudger House, home to 250 residents, won the provincial Supporting Seniors Award from the Ontario Association of Non-Profit Homes and Services for Seniors, based on their work developing a roadmap to improve quality of life for new residents.
- The Parks, Forestry and Recreation Division was presented with three awards by Parks and Recreation Ontario. An Excellence in Design Award was received for the Regent Park Aquatics Centre and two Innovation Awards were won for the Jamie Bell Adventure Playground rebuild in High Park and the Investing in Families initiative.
- The Canadian Association of Municipal Administrators presented the City with the 2013 Environment Award for its Live Green Toronto program, which engages Toronto residents and businesses in actions that green our city and our economy.
- The R.C. Harris Water Treatment Plant, which was constructed in the 1930s and treats an average of 453 million litres of water a day was recognized as a Canadian Water Landmark by the American Water Works Association

The City Manager's Awards for Toronto Public Service Excellence

In addition to various external awards the City Manager's Office also recognizes divisional and cross-corporate initiatives. In 2013, the City Manager's Awards were presented to four initiatives, including:

- Community Crisis Response program, which mobilizes resources and support to communities affected by violent and traumatic incidents. The team is activated when a violent incident occurs and leads a coordinated response that consists of municipal services, police, community and faith organizations, and residents
- Food Processing Training program (Cross-Corporate category), which is a nine-week training program for participants consisting of five weeks of in-class training from a Toronto Public Health inspector, a dietitian and a program instructor, and four weeks of baking and commercial kitchen experience through an unpaid work placement. Of the 39 participants that completed the program, 28 found permanent employment.
- "Dreams Begin Here" program (Cross-Corporate category) for the collaborative effort of the organizing committee for the 2012 Ontario Summer Games involving almost 3,200 athletes, managers, coaches and officials
- The Urban Elder Street Outreach initiative (Human Rights, Equity and Diversity category), which brings cultural and spiritual supports to homeless and street-involved Aboriginal individuals

For more information about current and past City Manager's Awards for Public Service Excellence, please visit the City's website.

Other indicator reports

This report focuses on performance measurement results in specific service areas. It is by no means the only type of reporting conducted by Toronto in this area. Links to other indicator reports issued by the City of Toronto or in association with the City, are noted below:

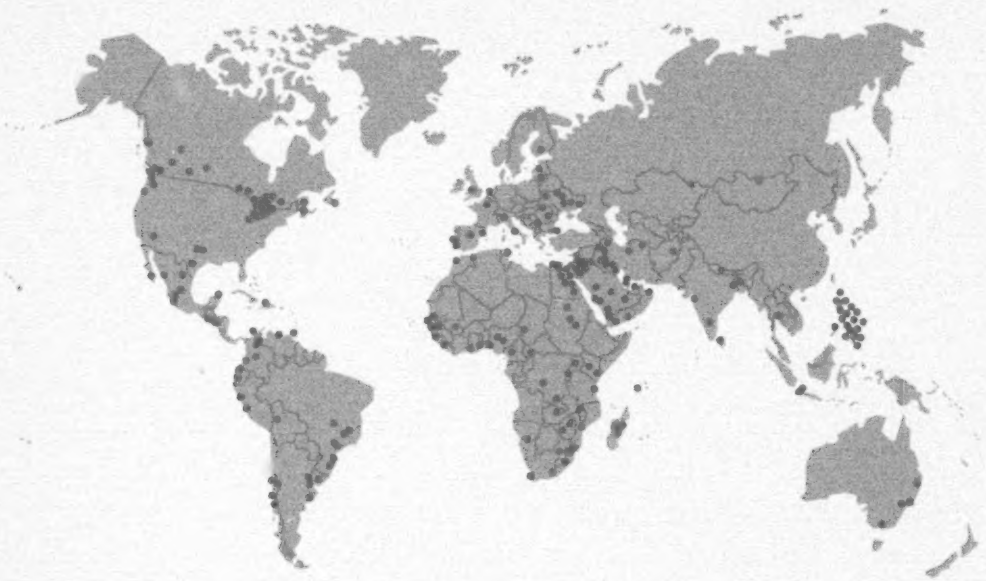
- Management Information Dashboard (Quarterly) *http://www.toronto.ca/progress*
- Wellbeing Toronto (Neighbourhood Indicators) *http://map.toronto.ca/wellbeing/*
- Economic Indicators: *http://www.toronto.ca/business_publications/indicators.htm*
- Toronto Community Health Profiles: *http://www.torontohealthprofiles.ca/*
- Children's Report Card: *http://www.toronto.ca/reportcardonchildren*
- Federation of Canadian Municipalities: *http://www.fcm.ca/home/resources/reports.htm*
- Vital Signs (Toronto Community Foundation): *http://www.tcf.ca/torontos-vital-signs*

GLOBAL CITY INDICATORS AND ISO 37210 STANDARDS

In November 2005, Toronto staff joined with World Bank officials in an initiative to develop an integrated approach for measuring and monitoring the performance of cities. The Global Cities Indicators Facility (GCIF) was established in 2008 with the objective of developing a standardized set of city indicators that measure and monitor city performance and quality of life at a global level.

GCIF indicators cover a total of 20 theme areas. Seven of the themes relate to quality of life indicators such as civic engagement, culture, economy, environment, shelter, social equity and technology and Innovation. Thirteen theme areas covering city services that include indicators on the service levels or amount of resources each city devotes to delivery of the service, and the outcomes or impacts of that service has on residents. Example of service areas included are fire services, recreation services, police services, social services, solid waste management services, water and wastewater services.

As of May 2014, there were 255 GCIF member cities in 81 countries as illustrated on the map below:



Toronto is seen as one of the leaders in this initiative, and it benefits Toronto by expanding our current benchmarking work beyond Ontario and Canada to include other large international cities.

In May 2014, at the Global Cities Summit held in Toronto, two key announcements were made that will advance this work on the benchmarking of Global City Indicators.

- The International Standards Organization released a new international standard (ISO 37120) for indicators of city services and quality of life (46 core and 54 supporting indicators), based largely on the development work Toronto was a part of through the GCIF.
- The formation of the World Council on City Data (WCCD), with Toronto becoming a foundation partner on this Council along with 16 other international cities, which include Amman, Jordan; Barcelona, Spain; Buenos, Aires Argentina; Dubai, UAE; Haiphong, Vietnam; Helsinki, Finland; Johannesburg, South Africa; London, UK; Rotterdam, Netherlands; Sao Paulo, Brazil; and Shanghai, China.

These WCCD foundation cities have also agreed to be the first cities to populate and have the 46 core ISO indicators certified by an ISO Auditor as being in compliance with ISO 37120. This means that in the future, Toronto and these other cities will have access to data sets on service delivery and quality of life indicator data, provided directly by other large international cities, that is reliable and comparable.

For further information on Global Cities Indicators Facility, the WCCD and ISO 37120, please visit *http://www.cityindicators.org/.*

CONCLUSION

The City continues to promote a continuous improvement culture in order to provide our residents and businesses with services that are as efficient and effective as possible, looking for the optimal combination of efficiency, quality and beneficial impact on our communities.

For additional information on the City of Toronto's progress please visit our website *www.toronto.ca/progress*.

TREASURER'S REPORT

Giuliana Carbone
Treasurer

The Consolidated Financial Statements are intended to provide Council, the public, the City's debenture holders, and other stakeholders, an overview of the state of the City's finances at the end of the fiscal year and indicate revenues, expenses and funding for the year.

The preparation, content and accuracy of the Consolidated Financial Statements and all other information included in the financial report are the responsibility of management.

As required under Section 231 of the City of Toronto Act, the financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as set by the Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting Board (PSAB).

These Consolidated Financial Statements have been audited by Pricewaterhouse Coopers LLP whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatement. The external auditor's opinion is to provide comfort to third parties that the financial statements can be relied upon.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st.
Consolidated Statement of Operations and Accumulated Surplus	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Net Debt	Outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

The Consolidated Financial Statements combine the financial results of the City's divisions with the financial results of the agencies and corporations, and government business enterprises that the City effectively controls. There are 118 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. There are also a number of subsidiaries of agencies and corporations which are not included in the entity count above. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's Net Debt, which represents the net liabilities that must be financed from future budgets.

The detailed breakdown of the accumulated surplus, including all of its components: amount invested in capital assets; operating fund, capital fund, reserve and reserve fund balances; and amounts to be recovered from future revenues, are reflected in Note 18 to the Consolidated Financial Statements.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges, parkland dedication fees and certain Federal and Provincial Government transfers received (such as public transit funding), are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 9 (a) to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus, which occurs at the same time that the City has a significant net debt, which must be financed through future revenues. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity (i.e. cash), and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2013 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts recorded in these financial statements on a "full accrual" basis. Note 19 outlines the adjustments to the approved budget, particularly exclusion of debt proceeds, principal payments, and tangible capital asset purchases, and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget typically results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Consolidated Statement of Net Debt

The Consolidated Statement of Net Debt is unique to governments. This statement focuses on the debt of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

Net Debt is a term defined by the Public Sector Accounting Board (PSAB) as all liabilities (both shorter and longer term liabilities) less financial assets. Net Debt (also referred to as net liabilities) may be materially different than the amount of the City's consolidated outstanding debt captured as "Net long-term debt" on the City's Consolidated Statement of Financial Position, details of which are provided in Note 13 of the Consolidated Statements.

New Accounting Standards adopted in 2013:

PS 3510 – Tax revenue

On January 1, 2013, the City adopted Public Sector Accounting Standard PS 3510, *Tax Revenue*. This standard was adopted on a retroactive basis from the date of adoption.

Under this standard, taxes receivable are recognized when:

a) they meet the definition of an asset;
b) the tax is authorized (i.e. the tax or tax levy is approved by Council); and,
c) the taxable event has occurred (e.g. the property assessment roll has been received by the City from the Municipal Property Assessment Corporation for the current year).

Under PS 3510, municipalities recognize property tax revenue using the approved municipal tax rates and the property assessment. The standard requires that tax revenue is reported net of tax concessions. Tax concessions represent various tax rebates (e.g. charity, heritage, and vacancy rebates) and tax incentive grants. Tax concession of $41M were netted against tax revenues in 2013 (2012 - $31M).

In conjunction with implementation of PS 3510, presentation of the solid waste rebates totalling $182M (2012 - $178M) have been regrouped to net against solid waste revenues, as the rate charged is the net amount.

Both of these were new for 2013, with regrouping of 2012 comparatives.

PS 3410 - Government Transfers

On January 1, 2013, the City adopted the revised recommendations of Public Sector Accounting Standard PS 3410, *Government Transfers*. This standard was adopted on a prospective basis from the date of adoption.

The revised recommendations clarify the difference between eligibility criteria and stipulations and their roles in the recognition of government transfers by the transferring and recipient government.

Under PS 3410:

a) Government transfers received or receivable are recognized in revenue once the transfer is authorized and eligibility criteria if any are met, unless there are stipulations which give rise to an obligation that meets the definition of a liability. For example where we have received a transfer from another government for a specific transit project such as the Toronto York Spadina Subway Extension, a liability exists until the funds are spent on the project;
b) Government transfers paid by the City to another entity or person are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient. For example, under the Ontario Works program the City pays each eligible recipient on a monthly basis.

Adoption of this standard did not have a material effect on the financial results for the current year.

FINANCIAL CONDITION

An important measure of any government's financial condition is its Net Debt (also referred to as net liabilities): calculated as liabilities (e.g. trade and employment payables, mortgages and debentures) less financial assets (e.g. cash, receivables, and investments).

The City's Net Debt as at December 31, 2013 increased by $303M to $4.5B (2012 - $4.2B). This increase is due primarily to the City's financing of tangible capital assets, offset by its considerable accounting surplus during 2013. For more information on the change in Net Debt, please refer to the Consolidated Statement of Change in Net Debt.

Table 1

Net Debt – 5 year Summary ($000's)

Net Debt	4 Year Average Annual Increase	2013	2012	2011	2010	2009
Liabilities	5.99%	13,117,281	12,505,032	11,672,374	10,899,622	10,392,487
Financial assets	6.23%	8,569,386	8,259,997	7,283,091	6,513,984	6,728,291
Net Debt	**5.55%**	**4,547,895**	**4,245,035**	**4,389,283**	**4,385,638**	**3,664,196**
Percentage Increase		**7.13%**	**(3.29%)**	**0.08%**	**19.69%**	

The City's Net Debt has increased by a compound annual rate of 5.55% over the last four years, attributable mainly to increases in long-term debt to third parties and in long-term net employee benefit liabilities. Both of these items are dealt with in more detail later in this report.

In order to improve the City's financial position, the City continues to implement its Long Term Fiscal Plan. Some key measures included in the plan are: tax policies which enhance economic competitiveness and improve Toronto's business climate, utilization of user rate adjustments for environmental and cost control purposes, working with the Province to continue the upload of social service program costs, and working with other orders of government to obtain permanent, sustainable funding for transit and social housing.

While debt financing has grown and will continue to grow due to state of good repair funding requirements and increased focus on expanding public transit infrastructure to meet the demands of a growing population, the City's updated Capital Plan, which includes a non-debt financing strategy to fund additional capital needs, ensures a solid financing plan is in place for the next five years. The positive effects of implementing these financial plans are reflected in the City's AA and Aa1 (Moody's) independent credit ratings.

Another key indicator of a government's financial condition is the amount that must be recovered from future revenues as included in Note 18 of Consolidated Financial Statements. These liabilities include TCHC mortgages, debentures, employee benefit liabilities, property and liability claim provisions, landfill liabilities and environmental liabilities. In 2013, the total amount that must be recovered from future property taxes and other revenues grew by $263M to $8.2B (2012 - $7.9B). This increase mainly consists of:

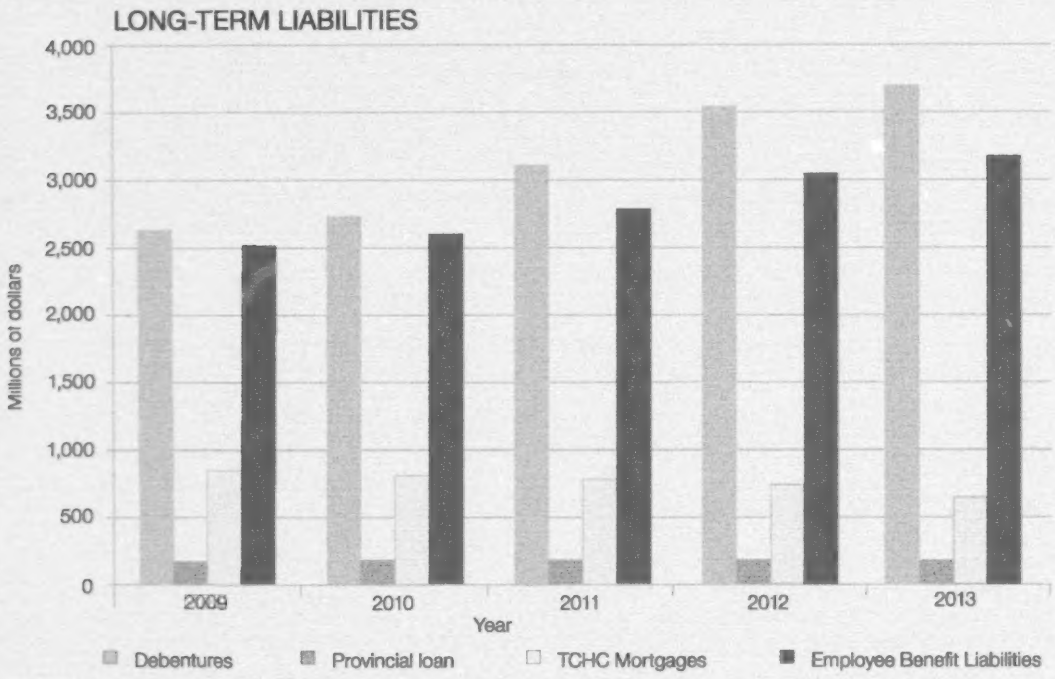
- an increase of $130M in the net employee benefits liabilities as unamortized gains increased $103M;
- an increase of $63M in the property and liability claims provision, as a result of the discount rate decrease for these liabilities; and,
- a net increase of $66M in mortgages and net long term debt.

The significant growth in net long-term debt has been driven mainly by the need to finance transit capital expenditures.

The growth of employee benefit liabilities in 2013 has been driven primarily by changes in the mortality tables that better reflect the City's experience. The increase in the liability due to the new mortality tables was partially offset a decrease resulting from higher discount rates. Council has contained some of the growth of this liability through changes in benefit plans and other cost containment initiatives.

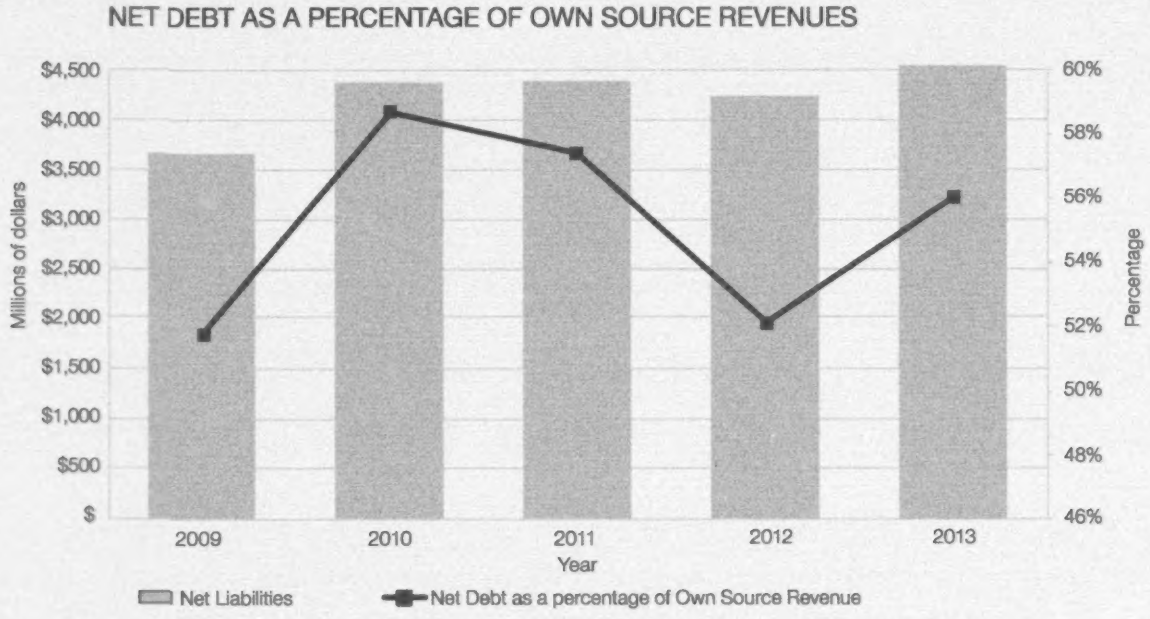
Chart A provides the breakdown of long-term liability growth by debt type.

Chart A



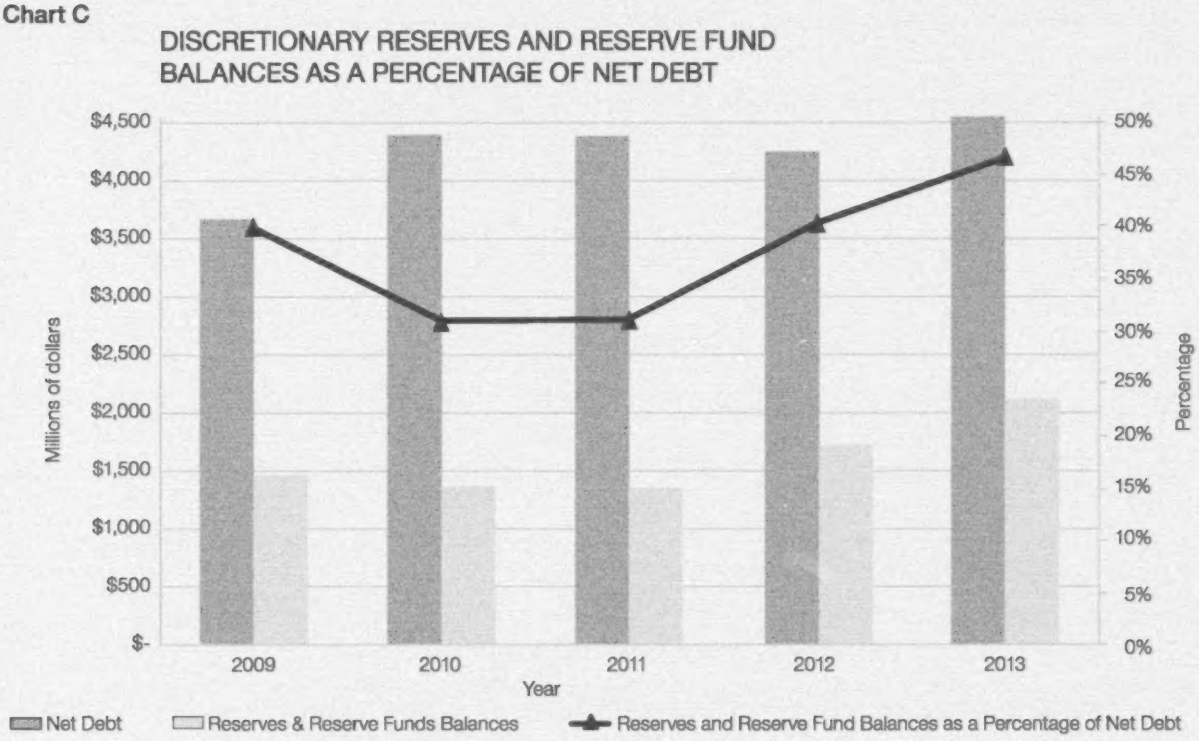
Information on the mortgage liabilities of TCHC is provided in Note 12, the provincial loan and the City's debenture debt is outlined in Note 13, while further detail about the City's employee benefit liabilities is provided in Note 14 of the Consolidated Financial Statements.

Chart B



To put the City's net liability (i.e. Net Debt) into a different context, Chart B expresses the Net Debt as a percentage of the City's own source revenues (excluding government transfers and earnings from government business enterprises). The net liability as a percentage of own source revenues has gone from 51.7% to 56.1% over the last five years.

Chart C



The City's Net Debt substantially exceeds the City's reserve and reserve fund balances as shown in Chart C. Reserves and Reserve Fund balances increased substantially in 2013, with the capital financing reserve increasing approximately $187M. The vast majority of the reserve and reserve funds are committed to fund capital projects identified in the ten (10) year capital plan, and future known liabilities, leaving only a small portion available for discretionary spending. Also, the current balances of some reserve funds (e.g. Employee Benefits) provide only a small portion of the funding to cover the future obligations for which they have been set aside.

The balances of all the Obligatory Reserve Funds are restricted for specific purposes as designated by legislation or contractual agreements and all capital reserves/reserve funds are required to replace and maintain capital assets.

If the Obligatory Reserve Funds were included in Chart C, then the Reserve and Reserve Fund Balances would be 76.0% of Net Debt (2012 - 69.4%).

For financial statement purposes, PSAB requires that Obligatory Reserve Fund balances (such as development charges and unspent provincial public transit funding) be classified as deferred revenue (Note 9(a) of the Consolidated Financial Statements). As a result, the reserve and reserve fund balances in the financial statements (Note 18), are lower than those included in staff reports to the Budget Committee.

ANALYSIS OF KEY ASSET AND LIABILITY ACCOUNTS

Accounts Receivable

The breakdown of accounts receivable at December 31, 2013 with 2012 comparatives is as follows:

	(in $'000s)	
Accounts Receivable	**2013**	**2012**
Government of Canada	170,185	326,193
Government of Ontario	190,679	297,752
Other municipal governments	28,055	44,971
School board	394	9,608
Utility fees	155,953	144,468
Other fees and charges	429,149	382,432
Total	**974,415**	**1,205,424**

Accounts receivable balances decreased $231M in 2013. The decrease consists primarily of the following:

- Decrease in receivable from Government of Canada ($156M) due to the following:

	($ millions)
	Increase (Decrease)
Receipt of Federal Gas Tax instalment in 2013	(77.2)
Receipt of Canada Strategic Infrastructure Fund (CSIF) in 2013	(81.7)
Other increases and decreases	2.9
Total	**(156.0)**

- Decrease in receivable from Government of Ontario ($107.1M) due primarily to the following:

	($ millions)
	Increase (Decrease)
Light Rail Vehicle (LRV) funds received in 2013 accrued in 2012 and prior years	(102.6)
Ministry of Transportation – Move Ontario (York Spadina Extension)	(46.5)
Accrual of Ice Storm Recovery from the Province for 2013	44.5
Other increases and decreases	(2.5)
Total	**(107.1)**

- Decrease in receivable from York Region ($16.9M), due primarily to lower receivable at year end from York Region for their contribution ($16M) to the Toronto York Spadina Subway Extension.

Offset by:

- Increase in Utility fees receivable ($11.5M) primarily attributable to average increase in water rates of 9%, and
- Increase in other fees and charges ($46.7M) due primarily to increases in: customer billing at year end ($22M); new loans for sustainable energy Better Business Partnership ($2M), Energy Conservation ($8M) and Green Energy ($8M).

Taxes Receivable

Taxes receivable consists of all outstanding taxes, items that have been added to the tax roll (such as utilities arrears, drainage charges, and local improvement charges), accumulated penalties and interest charges, net of an allowance for uncollectible taxes. A breakdown of this receivable is as follows:

	(in thousands of dollars)	
Taxes Receivable	**2013**	**2012**
Current year	169,593	157,045
Prior year	28,085	27,891
Previous years	33,436	32,271
Interest/penalty	41,409	39,537
Less: allowance for doubtful accounts	(33,007)	(31,866)
Net receivables	**239,516**	**224,878**

Other Assets (Note 4)

Other assets are mainly loans receivable from various organizations and TCHC's equity in joint ventures. Other Assets increased by $81M to $243M (2012 - $162M) due primarily to:

- TCHC finalizing a financing transaction on November 1, 2013 with Infrastructure Ontario (IO) of which $94M is restricted for investment in future capital assets; offset by
- Vendors repaying two of the Vendor-take-back-mortgages in connection with land sale transactions in July 2013 to Build Toronto with fair value of $15M.

Investments (Note 5)

Investments increased by $248M to $4.7B (2012 - $4.4B) due primarily to increases in reserves and reserve funds; dividends received from Build Toronto and Toronto Hydro; and, lower cash requests from TTC.

Investment in government business enterprises (GBEs) (Note 6)

Investment in government business enterprises increased by $61M to $1.84B (2012 - $1.78B). This is primarily due to increase in the value of Toronto Hydro of $39M and Toronto Parking Authority of $20M.

Additional information regarding the City's GBEs as at December 31, 2013, including 2013 transactions for all GBEs with the City and condensed financial results, are provided in Note 6 and Appendix 1 to the Consolidated Financial Statements.

Accounts Payable (Note 8)

The breakdown of accounts payable and accrued liabilities at December 31, 2013 with 2012 comparatives is as follows:

	(in thousands of dollars)	
Accounts Payable	**2013**	**2012**
Local Board trade payables	732,763	725,041
City trade payables and accruals	1,162,483	957,117
Payable to school boards	416,827	330,762
Provision for tax appeals & rebates	346,965	389,639
Credit balances on property tax accounts	105,130	66,885
Wages accruals	170,667	221,169
Total	**2,934,835**	**2,690,613**

- City trade payables and accruals are higher ($205M) in 2013 primarily due to higher accruals at year end ($99M); higher year end trade payable outstanding at year end $19M; accrual of $80M for Scarborough Subway extension and, increase in Municipal Services Damage Guarantee (MSDG) deposits ($13M).
- Payable to school boards was higher ($86M) in 2013 due to higher net tax levy for the Toronto District School Board.
- The provision for tax assessment appeals decreased by approximately $43M as a lower number of pending appeals as at December 31, 2013 reduced the overall provision requirement. Since a majority of accounts are paid in full based on the original levy, a reduction to the provision for pending appeals will also reduce the estimated amount payable if the appeals were successful.
- The $38M increase in credit balances on property tax accounts is primarily due to the processing of assessment appeals on accounts which were paid in full prior to the appeal adjustment.
- Wage accruals were lower by $51M primarily due to payment for outstanding union settlements in 2013 which had been accrued in 2012.

Deferred Revenue (Note 9)

Deferred Revenue increased by $118M to $1.7B (2012 - $1.6B) primarily as a result of:

- increase in net funds received for Development Charges, Building Code and Planning Act of $100M;
- increase in Obligatory Reserve Funds for Water and Wastewater of $81M due to higher contributions as compared to withdrawals for capital purchases;
- increase in contribution from Metrolinx ($46M) and Federal Government ($13M) for Union station; offset by
- decrease in Obligatory Reserve Funds for Public Transit of $77M due to withdrawals for transit capital purchases; and
- decrease in deferred revenue from third party agreements ($13M), Subdividers' Deposits ($11M), State of Good Repair ($12M) and City's agencies and corporations ($10M).

Other Liabilities (Note 10)

Other Liabilities increased by $48M to $647M (2012 - $599M), mainly as a result of:

- an increase in the property and liability claims provision ($63M); offset by,
- a decrease in Toronto Transit Commission (TTC) unsettled accident claims ($13M); and
- a decrease in Build Toronto environmental liabilities ($9M).

Net Long-Term Debt, including TCHC Mortgages (Notes 12 & 13)

Net long-term debt increased by $66M to $4.5B (2012 – $4.4B) as follows:

	(in millions of dollars)
	Increase (Decrease)
Issuance of Debt – City	300.0
– TCHC	170.1
– City's agency (i.e. Leaside Arena)	1.1
Debt Repayment – City	(205.9)
Debt Repayment – TCHC	(33.8)
Interest earned on sinking funds	(74.6)
Mortgage repayments	(91.2)
Total	**65.7**

Table 2 below lists all consolidated debt issued in 2013.

Table 2

Debt Issued – 2013 ($000's)

	Total	TCHC ≤ 5 years	City 10 years	TCHC 20 years	Leaside 20 years
Summary by Service					
General Government	19,659	–	19,659	–	–
Protection	26,901	–	26,901	–	–
Transportation	170,504	–	170,504	–	–
Recreation & Culture	1,052	–	–	–	1,052
Transit	82,936	–	82,936	–	–
Social Housing	170,158	30,021	–	140,137	–
Total	**471,210**	**30,021**	**300,000**	**140,137**	**1,052**

Table 3 lists consolidated net long-term debt from all sources for the past five years:

Table 3

Five year comparison of Net Long-Term Debt & Mortgages ($000's)

	2013	2012	2011	2010	2009
Property taxes	3,154,240	3,130,763	2,686,200	2,282,342	2,440,214
TCHC	1,280,510	1,235,113	1,281,873	1,377,951	1,161,161
Lakeshore Arena Corporation	38,937	39,234	39,547	–	–
Leaside Arena	1,052	–	–	–	–
TDSB	22,410	26,371	30,190	33,815	37,837
Net long-term debt	**4,497,149**	**4,431,481**	**4,037,810**	**3,694,108**	**3,639,212**

Employee Benefit Liabilities (Note 14)

Employee benefit liabilities represent the amount payable to employees or third parties in future years for services that were rendered by the employees in the current or past years. These amounts represent amounts payable for items such as workers compensation, long term disability, health care benefits for early retirees, and pensions for those retirees covered by the City's legacy pension plans. Actuarial valuations are undertaken every three years to calculate the liabilities, estimating expected future costs and then calculating the present value based on the applicable municipal bond rate (the discount rate) as at December 31, 2013 in accordance with PSAB standards.

The gross employee benefits liability for the City and its consolidated entities (identified as "Total employee accrued benefit obligation" in Note 14 of the Consolidated Financial Statements) increased by $28M to $3.0B (2012 - $3.0B), primarily due to the following:

- decrease in the non-OMERS pension plan liabilities ($19M) as the financial situation of each of the five pension plans improved in 2013; offset by
- increase in sick leave benefits ($18M) primarily in Police Services;
- increase in workers' compensation benefits ($4M); and
- increase in post-employment benefits ($25M).

Table 4

Employee Benefit Liabilities by Type for the City and its Consolidated Entities ($000's)

	2013	2012	2011	2010	2009
Sick Leave	489,170	471,472	479,559	434,545	429,000
WSIB	432,533	428,767	459,565	410,670	357,725
Post Retirement and LTD	2,102,038	2,076,852	2,115,655	1,799,982	1,565,054
Pension	7,969	26,694	123,980	29,185	109,685
Gross Liabilities	**3,031,710**	**3,003,785**	**3,178,759**	**2,674,382**	**2,461,464**
Unamortized Gain/(Loss)	134,772	32,208	(402,592)	(85,425)	41,950
Net Liabilities	**3,166,482**	**3,035,993**	**2,776,167**	**2,588,957**	**2,503,414**

While the gross employee benefit liabilities increased by slightly less than 1% ($28M), the unamortized actuarial gain increased by $103M in 2013 (from $32M in 2012 to $135M in 2013), resulting in an overall increase in net employee benefit liabilities of $130M (from $3.03B in 2012 to $3.17B in 2013).

The $103M increase in unamortized gains is primarily related to

- an increase in the discount rate of approximately 0.5% for each of: post employment, post retirement, sick leave and WSIB benefits; partially offset by
- updated changes in assumptions resulting from an experience study undertaken in 2013.

As actuarial gains and losses are amortized over the estimated average remaining service life of the employee group, these actuarial gains and losses will be recognized over the next 13.2 to 15.1 years.

Table 5 below, shows employee benefits liabilities by entity.

Table 5

Employee Benefit Liabilities by Entity ($000's)

	2013	2012	2011	2010	2009
City	1,703,964	1,720,870	1,809,615	1,585,821	1,429,634
City Legacy Pensions	7,969	26,694	123,980	29,185	109,685
Police	599,325	568,949	581,651	514,160	479,673
Other Entities	720,452	687,272	663,513	545,216	442,472
Gross Liabilities	**3,031,710**	**3,003,785**	**3,178,759**	**2,674,382**	**2,461,464**
Unamortized Gain/(Loss)	134,772	32,208	(402,592)	(85,425)	41,950
Net Liabilities	**3,166,482**	**3,035,993**	**2,776,167**	**2,588,957**	**2,503,414**

Due to various measures undertaken by the City to contain the growth in employee benefit liabilities (such as reduced drug costs, reduced administrative fees with Benefit Carrier, negotiated benefit plan design changes for Unionized and Management employees, and change in the post-65 retiree benefit plan for Fire fighters), the City's gross liability has decreased by $106M since 2011.

The improvement in the legacy pension plans is a result of the improved economy and better investment returns.

Tangible Capital Assets (Note 15)

Note 1 to the consolidated financial statements outlines the significant accounting policies including an overview of the policy for recording tangible capital assets. In short, tangible capital assets are recorded at cost and amortized over their useful lives.

The breakdown of tangible capital assets, as well as accumulated amortization, as at December 31, 2013 with 2012 comparatives, is presented in Note 15 and Schedule 1. Tangible capital assets by entity are presented in Appendix 4.

During the year, consolidated asset additions totalled $2.2B, with the most significant portion being:

- Building and Building Improvements of $333M (consisting of $113M at the TCHC, $85M at the TTC, $23M at the Library, $34M at the Toronto Police Service and $76M at the City);
- Transit Infrastructure of $435M; and,
- Machinery and Equipment purchases of $212M consisting of:
  - Infrastructure equipment ($20M) mainly related to Water and Wastewater treatment plant equipment and Road Traffic Signals;
  - General equipment ($192M) such as Green Lane Landfill gas and leachate collection systems, computer hardware, water meters, security systems, police and transit equipment.

During the year, amortization of tangible capital assets increased by $45M to $847M (2012 - $802M), mainly as a result of an increase in TTC amortization of $29M and increase in City amortization of $12M.

Table 6

Consolidated Annual Accounting Surplus

(in thousands of dollars)

	2013 Budget	2013 Actual	Difference Positive (Negative Variance)	Percentage Difference Positive (Negative Variance)	2012 Actual
Revenues					
Property Taxation	3,669,871	3,696,738	26,867	0.7%	3,701,304
Municipal Land Transfer Tax	321,474	360,884	39,410	12.3%	349,798
Taxation from other governments	92,149	111,292	19,143	20.8%	106,600
User Charges	2,778,849	2,638,543	(140,306)	(5.0%)	2,482,754
Funding transfers from other governments	3,482,798	2,952,158	(530,640)	(15.2%)	3,054,218
Gain on Sale of Enwave	–	–	–	–	96,611
Government Business Enterprise Earnings	–	175,544	175,544	–	180,097
Investment Income	185,275	232,244	46,969	25.4%	246,760
Development Charges	253,131	164,004	(89,127)	(35.2%)	141,133
Rent and Concessions	438,096	438,698	602	0.1%	395,470
Other	580,563	462,454	(118,109)	(20.3%)	720,915
Total	**11,802,206**	**11,232,559**	**(569,647)**	**(4.8%)**	**11,475,660**
Expenses					
General Government	797,759	770,411	27,348	3.4%	646,346
Protection to persons and property	1,654,571	1,656,046	(1,475)	(0.1%)	1,558,447
Transportation	2,830,866	2,769,289	61,577	2.2%	2,828,174
Environmental services	1,088,538	838,344	250,194	23.0%	810,859
Health services	422,184	422,038	146	0.0%	397,210
Social and family services	2,116,663	1,963,092	153,571	7.3%	1,999,896
Social Housing	904,446	758,024	146,422	16.2%	850,026
Recreational and cultural services	1,010,912	905,987	104,925	10.4%	861,716
Planning and development	137,454	127,660	9,794	7.1%	96,533
Total	**10,963,393**	**10,210,891**	**752,502**	**6.9%**	**10,049,207**
CONSOLIDATED ANNUAL ACCOUNTING SURPLUS	**838,813**	**1,021,668**	**182,855**	**21.8%**	**1,426,453**

Table 6 provides a comparison of 2013 Consolidated Revenues and Expenses versus budget, and also shows 2012 actuals. The table also provides a comparison of expense by type or category of service.

The budget column included in the Consolidated Financial Statements reflects the approved budget at the time the tax levy is approved by Council. Although City Council approves revisions to the budget throughout the year, these

amendments are not reflected in the budget column shown in the Consolidated Financial Statements (see Note 19 in the Consolidated Financial Statements). The budget is however, adjusted to exclude purchases of tangible capital assets from expenses, to also exclude debt principal from revenues and expenses, and to allow for amortization of tangible capital assets.

Consolidated Revenues

While the annual budget process focuses primarily on property tax increases, it must be emphasized that property taxes are only one of the City's many revenue sources. In 2013 property taxes made up 32.9% (2012 – 32.3%) of the City's operating revenue.

Municipal Land Transfer Tax (MLTT) exceeded budget by $39M primarily due to higher than anticipated home sales and average home prices.

Taxation from other governments (Payment in Lieu (PIL) of Taxes) revenue exceeded budget by $19M due to lower than expected appeals and other billing adjustments along with an increase in overall levies issued in 2013

User Charges were under budget by $140M due primarily to:

- lower than budgeted spending of $140M on Capital projects funded from obligatory reserve funds for Water/ Wastewater, resulting in lower revenue being recognized in 2013 than budgeted.

Funding Transfers from other governments were under budget by $531M primarily due to:

- Under-spending in TTC projects for the Toronto-York Spadina Subway Extension by $460M; and
- Ontario Works operating subsidies were lower by $95M, due mainly to lower subsidies than budget for the Ontario Works Financial Assistance Program; offset by,
- Accrual of Ice Storm Recovery from the Province for 2013 for $45M.

Government Business Enterprise Earnings ($176M) represent the earnings from Toronto Hydro Corporation, Toronto Parking Authority and Toronto Port Lands Company. Details are available in Note 6 and Appendix 1 of the Consolidated Financial Statements.

Investment earnings were higher than budget by $47M due to more robust cash flow in 2013, dividends received from Build Toronto and Toronto Hydro, increases in reserves and reserve funds, and the overall annual surplus achieved in 2013. This resulted in increased investment balances and additional income.

Development Charges applied to capital spending were under budget by $89M, due to under-spending on capital projects. As an obligatory reserve, development charge revenues are not recognized until the funds are spent for the intended purposes.

Other Revenues were lower than budget by $118M primarily due to:

- Parking Authority's share of net income retained to fund capital projects was less than budgeted by $25M;
- Return of excess funding from the Yonge Dundas redevelopment project of $14M;
- lower than expected volume of utility cuts resulting in lower capital recoveries in Transportation of $25M;
- lower recoveries in Parks and Recreation by $15M due to lower than budgeted donations and recoveries related to Section 37 agreements; and
- lower than budgeted recoveries of $15M for donations, sale of publications and other recoveries.

Five Year Summary of Consolidated Revenues

The five year summary of revenues outlined in Table 7, below, demonstrates that property taxes continue to be one the slowest growing revenue sources for the City. The City is limited by provincial legislation and Council policy from extending tax rate increases on the commercial, industrial and multi-residential assessment base (which is 52.8% of the City's tax revenue base) on the same basis as the residential base.

As a result of the slow growth of property tax revenue, more reliance has been placed on user fees, the Municipal Land Transfer Tax, senior government transfers and other sources of revenue to meet expenses and minimize property tax rate increases. The City undertook a User Fee Review in 2011 which allows the City to set user fee prices with the objective of full cost recovery, where appropriate.

Table 7

Consolidated Revenues - 5 Year Summary

(in thousands of dollars)

Revenues	Avg. Annual Increase	2013	2012	2011	2010	2009
Property taxes	2.42%	3,808,030	3,807,904	3,555,309	3,527,901	3,460,234
Municipal land transfer tax (MLTT)	18.35%	360,884	349,798	324,065	278,980	183,892
Personal vehicle Tax (PVT)	N/A	–	–	723	42,766	51,717
User charges	5.17%	2,638,543	2,482,754	2,436,025	2,355,963	2,156,408
Government transfers	(0.34%)	2,952,158	3,054,218	3,148,351	3,173,242	2,993,468
Gain on Sale of Enwave	N/A	–	96,611	–	–	–
GBE Earnings	11.22%	175,544	180,097	188,041	153,294	115,012
Investment Income	(4.75%)	232,244	246,760	248,397	265,990	282,217
Development Charges	18.58%	164,004	141,133	94,952	92,162	83,144
Rent and Concessions	5.45%	438,698	395,470	386,073	372,959	355,005
Other	(2.89%)	462,454	720,915	604,560	540,861	520,422
Total	**2.44%**	**11,232,559**	**11,475,660**	**10,986,496**	**10,804,118**	**10,201,519**
Percentage Increase		(2.12%)	4.45%	1.69%	5.91%	

Consolidated Expenses

Gross consolidated expenses for 2013 totalled $10.2B (2012 - $10.1B).
Expense variance explanations by major program areas, are as follows.

- Costs for General Government were lower than budget by $27M, primarily due to :
  - Ice storm accrual ($45M) not budgeted for; offset by
  - Savings of $44M due to actual assessment and tax appeals falling short of the amount included in the provision budget;
  - Savings of $15M for negotiated wage settlements; and
  - Lower spending of $10M mainly due to delaying of system upgrades and system maintenance projects.

- Costs for Transportation (including Roads/Traffic signals maintenance and Transit) were $62M lower than budget primarily due to:
  - Lower spending at TTC of $48M due to lower market prices of diesel fuel, delays in filling budgeted positions, and reduced maintenance costs for buses and streetcars. In addition, expenses were lower as a result of reduced utilization of certain healthcare benefits, reduced accident claim settlement costs and lower retroactive pay;
  - Lower spending at TTC of $89M on various repair and maintenance projects such as the Leslie Barns LRT Maintenance and Storage Facility ($53M), and the ATC Re-signalling project ($36M); offset by
  - Accrual of $80M for City reconfirming its support for a Scarborough subway.

- Environmental services spending was lower than budget by $250M due primarily to:
  - Lower spending at Toronto Water of $155M related to various State of Good Repair maintenance projects for Water Services Repairs and Water Main and Sewer Rehabilitation and Replacements;
  - Lower spending of $21M at Toronto Water due to savings in salaries and benefits arising from unfilled vacancies ($14M); energy and utility efficiencies from optimization of water and wastewater production processes, and delays in capital projects for odour and corrosion control ($3M); and other continuous improvement initiatives ($5M);
  - Lower spending at Solid Waste of $51M mainly attributable to various maintenance projects; and
  - Savings of $11M at Solid Waste due to lower than planned expenditures for salaries and benefits of $7M from vacant positions; $8M for lower payment-in- lieu-of-taxes, consumption of utilities, supplies and equipment etc.; offset by higher costs of $4M for fleet maintenance and fuel.

- Social and Family Services spending was lower than budget by $154M, due to the following:
  - Ontario Works (OW) financial benefits were under spent by $145M due to a lower than budgeted OW caseload (98,077 actual vs. 108,500 budgeted), caseload mix (higher proportion of singles as compared to families), and lower special diet expenditures and Housing Stabilization Fund expenditures as well as salary savings from caseload contingent staff; and
  - Children's Services were under budget by $18M due primarily to delayed capital spending related to minor construction projects, non-receipt of provincial funding, and staff turnover.

- Social Housing spending was lower than budget by $146M, due primarily to lower amortization expense of $129M, largely associated with TCHC.

- Recreational and cultural services was lower than budget by $105M due primarily to:
  - Lower spending of $3M for a cost recovery program (Asian Long Horn Beetle Program), and salaries and benefit savings from unfilled seasonal and permanent positions, which were partially offset by the unbudgeted July storm damage clean-up costs; and
  - Lower spending of $109M on repairs and maintenance for Recreation projects and Park related IT projects.

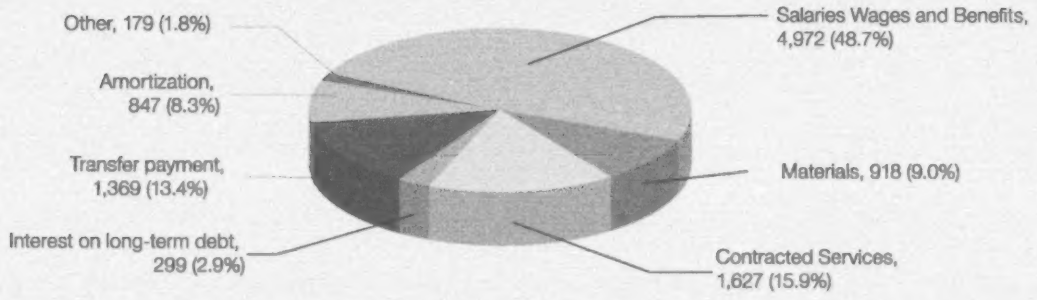
Consolidated Expenses by Object

Chart D breaks down the gross expenses by cost object. Salaries, wages and benefits accounted for the largest portion at 48.7% of the total amount. It should be noted that principal re-payments on debt are not included as they are considered financing transactions for accounting purposes and are not considered expenses

Chart D

EXPENDITURES BY OBJECT – CURRENT OPERATIONS

(in millions of dollars)


Other, 179 (1.8%)
Amortization, 847 (8.3%)
Transfer payment, 1,369 (13.4%)
Interest on long-term debt, 299 (2.9%)
Salaries Wages and Benefits, 4,972 (48.7%)
Materials, 918 (9.0%)
Contracted Services, 1,627 (15.9%)

Note 21 to the Consolidated Financial Statements provides a consolidated (operating and capital) summary of expenses by object.

Risks and Mitigation

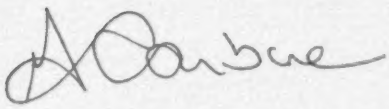
The City continues to face a number of risks that could have a negative impact on the City's financial future. These risks include: lack of long-term dedicated funding to assist the City in addressing its infrastructure deficit, including building and expanding the transit system to meet the City's strategic goals, and accessing non-property tax revenue sources that grow with the economy to ensure long term sustainable funding.

In 2013, the City continued to make progress to address these risks by continuing to implement its Long Term Financial Plan. Appendix A lists eight (8) specific financial issues/risks and the actions taken in 2013 to help address them.

Highlights include:

- The completion of eight (8) Service Efficiency Studies with savings being realized in 2012 through to 2014 (Fleet Services, Shelter & Housing, Real Estate Services, Solid Waste Management, Toronto Public Library, TTC and Transportation Services);
- During 2012 and into 2013, a number of other Service Efficiency Studies were initiated with savings expected for future years;
- Continued cost containment, continuous improvements and other program review initiatives to ensure appropriate and efficient use of resources;
- Negotiated collective agreements/union contracts with TCEU Local 416 (Toronto Parking Authority) and CUPE Local 1600 for four years on favourable terms. Additionally, the City is expected to achieve efficiencies, savings and liability reductions of approximately $150M over 2012 to 2015 through negotiated changes to workplace practices and benefits. Increased management flexibility as a result of the new agreements will also provide improvements and further cost reductions;

- In 2013, the City put a non-debt funding plan in place to fund additional 10-year capital needs of $534M for TTC transit needs and $671M for the ongoing rehabilitation work on the Gardiner Expressway, road resurfacing and reconstruction and key capital works. Non-debt strategies to fund the additional capital needs included the use of operating budget surpluses, increases in Development Charge revenues, sale of assets and dividends from City's agencies and corporations; and
- For 2013, the City continued to reduce tax rate ratios for business/non-residential properties. Council is on track to meet its objectives of reducing the tax ratio for commercial, industrial and multi-residential properties to 2.5 times the residential tax rate by 2020.



Giuliana Carbone
Treasurer

Toronto, Canada
July 8, 2014

APPENDIX A: KEY ISSUES/RISKS FACING THE CITY OF TORONTO

Issues/Risk	Actions Taken in 2013	Actions planned for 2014 and beyond
The City continues to be challenged by growing demand for services and lack of a fully diversified, predictable and sustainable set of revenue sources. Additionally, City has a higher cost structure than other municipalities in the Greater Toronto Area (GTA).	• City Council continued to adopt strict budget guidelines for City divisions, agencies and corporations: 0% reduction target set; achieved a 0.7% increase in net expenditures for 2013 Approved Operating Budget. • The City, in approving the 2013 Operating Budget, reduced the use of one-time funding sources by more than 66% cutting it from $141 million in 2012 to $47 million in 2013. • Negotiated collective agreements / union contracts with TCEU Local 416 (Toronto Parking Authority) and CUPE Local 1600 for four years on favourable terms. Cost of living increases are below inflation in the first two years. Additionally, the City is expected to achieve efficiencies, savings and liability reductions of approximately $150 million over 2012 to 2015 through negotiated changes to workplace practices and benefits. Increased management flexibility as a result of the new agreements will also provide improvements and further cost reductions. • Continued to develop the new service-based, multi-year Financial Planning, Analysis and Reporting system, approved by Council in 2007 with Phase 1 implementation starting in May 2013 for the Public Budget Formulation (PBF) system, Report Analytics, and Complement Planning and Management components. Accounting, payroll and human resources components went live in November 2013. • Continued to benchmark operations with other Ontario municipalities. • A multi-year approach was planned to address the operating pressure and capital funding gap. • A Service Review Program, comprised of the three components listed below, was implemented in 2011 to identify what services the City should deliver, how they can be more efficient and cost effective, and how the City should pay for them: o Core Service Review (completed in 2011) identified what services the City should be delivering. It sets the foundation for the City's services going forward and assists with moving towards a multi-year financial planning and budgeting process.	• Continue strict budget targets for 2014 and future years. • Continue to implement strategies to eliminate reliance on prior year, one-time revenues to balance the operating budget. • Continue with the Service Efficiency Studies with staff reviewing efficiency study recommendations for the 2014 budget process, including possible outsourcing, streamlining of business processes, re-engineering and automation in order to highlight possible savings for 2014 and 2015. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking. • Continue to develop and implement the new Financial Planning, Analysis and Reporting system to improve budget analysis and program rationalization. • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies. • Continue to benchmark operations with other Ontario municipalities. • Continue to investigate and evaluate possible merger of the City's five Pre-OMERS pension plans with OMERS – dependent on the Province filing required regulations. • Implement a corporate Common Management Framework by 2018 to systematically measure and continuously improve, among other things, planning and financial management. • Develop and implement a best-in-class performance measurement and indicators system by end of 2015. • Implement shared services between the City and its agencies for common corporate functions to improve service delivery and customer service, and / or achieve cost savings by the end of 2018.

Issues/Risk	Actions Taken in 2013	Actions planned for 2014 and beyond
	○ User Fee Review (completed in 2011) examined how City's services are paid for. It provides guidelines on how user fee prices are set with the objective of full cost recovery. ○ Service Efficiency Studies (which commenced in 2011 and continue into future years) look at how certain services are delivered to identify new, more efficient and cost-effective ways to deliver services. • In 2011, the City completed eight (8) Service Efficiency Studies with savings being realized in 2012 through to 2014 (Facilities Management; Fleet Services; Shelter, Support & Housing Administration; Real Estate Services; Solid Waste Management Services; Toronto Public Library; TTC; Transportation Services). • During 2012 and into 2013, a number of other Service Efficiency Studies were completed with savings expected for 2013 and future years [311; Children's Services; City Planning; Communications; Counter Services; Court Services; Emergency Medical Services; Environment and Energy; Fire Services; Long Term Care Homes (LTCH); Museum Services; Parks, Forestry and Recreation (PRF); Shared Services]. • The 2013 Operating Budget includes savings from the implementation of LTCH, Facilities Management, Real Estate, PFR, Transportation Services, Fleet Services and Library. • Other continuous improvement, program reviews and cost containment initiatives also continued, to ensure appropriate and efficient use of resources.	
Demands for growth as laid out in the Official Plan or other Sectoral and Program plans are not adequately funded	• Put a non-debt capital funding plan in place to fund additional 10-year capital needs of $534 million for transit needs and $671 million for the ongoing rehabilitation work on the Gardiner Expressway, road resurfacing and reconstruction and key capital work projects to address transit congestion. Non-debt strategies to fund the additional capital needs included use of operating budget surpluses, increases in Development Charge revenues, sale of assets, and dividends from City agencies and corporations.	• Continue to refine cost estimates related to growth plans. • Continue to work with the Province and Metrolinx to plan new transit lines. • Update Development Charges By-law to reflect updated growth figures and capital spending plans. • Continue to direct funding to the infrastructure backlog. • Continue to adopt sectoral plans which will require funding – such as Parks Plan, Community Arts action Plan, Workforce development Strategy.

Issues/Risk	Actions Taken in 2013	Actions planned for 2014 and beyond
	• Approved a fiscally responsible 10 year Capital Budget and Plan (2013 – 2022) , placing priority on projects that protect the health and safety of citizens, meet legislative requirements, and maintain the City's infrastructure in a state of good repair, while maintaining debt service costs at approximately 12% of the property tax levy (which is below the 15% guideline approved by Council). Province, Metrolinx and the City began to jointly plan for new transit lines with the Province contributing $8.4 billion towards the plan. Metrolinx is responsible for delivering the, Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects, and the Province/Metrolinx have agreed to contribute to the City's Scarborough RT replacement (subway) project. • Commissioned a Special Task Force comprised of the TTC Chair, the TTC Chief Executive Office, the TTC Chief Financial and Administration Officer, the City Manager and the City's Chief Financial Officer, to seek and secure funding for "unfunded TTC Capital Projects" and a restoration of operating funding from the Province.	• Develop a funding strategy to support the waterfront revitalization and any sectoral plans adopted by City Council. • Commence special 30-year property tax levy for the Scarborough Subway Extension Project in 2014 with a three-year phase-in period. • Develop and implement a corporate-wide strategic asset management plan by end of 2015. • Develop and implement an integrated city-wide approach to finance the city's growth ensuring alignment with City's Official Plan and Long Term Fiscal Plan.
There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations	• Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding. • Continued to monitor and take action on other risks impacting the City with potential financial impacts: o Climate change adaptation and environmental risks management. o Interest rate changes on Social Housing costs, investment returns and debt charges. o Affordable housing alternatives and the end of federal subsidies. • Continued to work with OMERS on urging the Province to file the required regulations under the Pension Benefits Act governing pension plan mergers.	• Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services: Ontario Works (OW) benefit costs began in 2010 & will be completed by 2018; OW Cost of Administration started in 2010. • Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing. • Continue to work with the Province on the agreed upload of court security costs by 2018. • Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs) and the need for additional capital funds. • Implement the new Community Homelessness Prevention Initiative (CHPI). • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks. • Continue to request the Province to file the required regulations under the Pension Benefits Act for plan mergers.

Issues/Risk	Actions Taken in 2013	Actions planned for 2014 and beyond
Business property taxes are not competitive with the surrounding urban area (905 area code)	• The City has continued the implementation of "Enhancing Toronto's Business Climate" initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial and multi-residential properties) to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015 (a 10 year plan). The estimated benefit to businesses over the 15-year period is approximately $250 million. • Council approved a modest property tax increase for residents and businesses for 2013.	• Council approved a modest property tax increase for residents and businesses for in January 2014. • Continue the implementation of the "Enhancing Toronto's Business Climate" initiative. Council is on track to meet its targets of 2015 and 2020.
The City lacks adequate revenue sources to fund its municipal responsibilities	• Funding for capital projects from other orders of government has been secured over the years – e.g. Share of federal and provincial gas taxes ($300 million per year); Transit Plan ($9 billion); Economic Stimulus Project funding ($460 million 2009 to 2011); one-time transit funding between 2006 and 2009 has ranged from $58 to $360 million per year; funding for the construction of sports facilities for the 2015 Panam/Parapan Am Games ($1 billion). • Municipal Land Transfer Tax (MLTT) continued in 2013 attracting a record level of revenue ($361 million). • Commissioned a Special Task Force comprised of the TTC Chair, the TTC Chief Executive Officer, the TTC Chief Financial and Administration Officer, the City Manager and the City's Chief Financial Officer, to seek and secure funding for "unfunded TTC Capital Projects" and a restoration of operating funding from the Province.	• Update the Long Term Fiscal Plan by 2014/ 2015 with an emphasis on identifying viable solutions to the major issues impacting the City's finances. • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for such items as social housing and transit. • Continue to budget cautiously for MLTT to avoid negative budget impacts and contribute to any surplus to fund the capital shortfall.
Improper funding of Provincial cost-shared programs has resulted in significant financial pressures to the City	• Province continued honouring its cost sharing formulae for Ontario Works. • City of Toronto and Toronto Community Housing launched "Close the Housing Gap Campaign", a two-year campaign to urge Federal and Provincial governments to help maintain traditional social housing funding and contribute an equal 1/3 share for Toronto Community Housing's $2.6 Billion ten year capital needs.	• Province to continue honoring its cost sharing formulae for Ontario Works and Court Security. • Continue to highlight costs and requirements in areas of joint City / Provincial responsibility, such as social housing and transit and childcare.

Issues/Risk	Actions Taken in 2013	Actions planned for 2014 and beyond
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to set aside funds in the Capital Financing Reserve and other Capital Replacement Reserve Funds. • Put a non-debt capital funding plan in place to fund additional $534 million TTC shortfall and $671 million Transportation shortfall, from operating budget surpluses, increases in Development Charge revenues, sale of assets and dividends from City agencies and corporations. • Commissioned a Special Task Force comprised of the TTC Chair, the TTC CEO, the TTC CFAO, the City Manager and the City CFO, to seek and secure funding for "unfunded TTC Capital Projects" and a restoration of operating funding from the Province.	• Continue to develop firm 10-year Capital Plans with an emphasis on the state of good repair activities. • Complete transition to a multi-year, service-based operating budget and plan. • Continue to increase direct operating budget contribution to capital program to offset a portion of debt requirements. • Continue in the implementation of the new non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfall identified in the ten year (2013 to 2022) Capital Plan. • Further enhance asset management planning. • Continue to seek funding for transit projects from provincial and federal governments.
Employee benefits and other long-term liabilities are not adequately funded	• The City updated the actuarial reviews of its employee benefit plans. • The City has continued its objective of implementing cost containment changes to benefit plans, including the retiree plans that have helped reduce the post-retirement liabilities. • In 2012, a new 5 year contract with the City's Benefit Carrier resulted in significantly reduced administrative fees for health and dental benefits. • In 2012 and 2013 changes to the retiree benefit plans, including limits to para-medicals, dispensing fee cap, one year lag for dental fee guide, limitation for physiotherapy, limitation for orthotic shoes. • In 2013, there was the elimination of the post-65 lifetime retiree benefit plan for former Toronto and North York Fire fighters, and replaced with a 10 year Health Care Spending Account. • The sick bank payout for new Fire fighters hired after June 26, 2013 was reduced from 100% of the available sick credits to 50%, to a maximum of 6 months' salary. • Due to benefit cost decreases in 2013 the contribution to the employee benefits reserve was increased to $22 million in 2013 (from $0.367 million in 2012.	• Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities: o First stage: to require City's agencies and corporations to contribute annual funding to the Sick Leave Reserve Fund to match budgeted withdrawals (pay as you go); and, o Second stage: to revise the annual benefit charges to Divisions and applicable City's agencies and corporations to reflect additional funding requirements for retired employees, employees on long-term disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. This is scheduled for implementation in advance of the 2016 budget.

2013 CONSOLIDATED FINANCIAL STATEMENTS

CITY OF TORONTO FINANCIAL REPORT

MANAGEMENT'S REPORT

The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

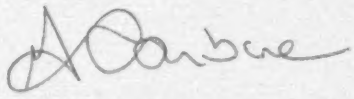
The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

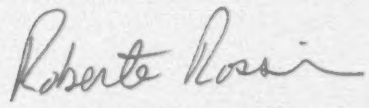
The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. While it is important to recognize that the external audit is an independent process, the Auditor General's role is to ensure that all significant audit issues are appropriately addressed and resolved. In this context, the Auditor General participates in all significant meetings held between the external auditors and management.

The 2013 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

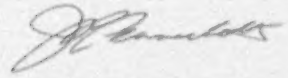
Toronto, Canada
July 8, 2014



Giuliana Carbone
Treasurer



Roberto Rossini
Deputy City Manager & Chief Financial Officer



Joseph P. Pennachetti
City Manager

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the **City of Toronto**

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the Consolidated statement of financial position as at December 31, 2013 and the Consolidated Statements of Operations and Accumulated Surplus, Change in Net Debt, and Cash Flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2013 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
July 8, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2013

(with comparative figures as at December 31, 2012)

(all dollar amounts in thousands of dollars)

	2013	2012 (See Note 24)
FINANCIAL ASSETS		
Cash	591,190	451,938
Accounts receivable (Note 3)	974,415	1,205,424
Property taxes receivable	239,516	224,878
Other assets (Note 4)	243,504	162,096
Investments (Note 5)	4,661,928	4,414,034
Due from Toronto District School Board (Note 13)	22,410	26,371
Investments in government business enterprises (Note 6)	1,836,423	1,775,254
Total financial assets	**8,569,386**	**8,259,997**
LIABILITIES		
Bank indebtedness (Note 7)	55,882	49,834
Accounts payable and accrued liabilities (Note 8)	2,934,835	2,690,613
Deferred revenue (Note 9)	1,692,089	1,574,201
Other liabilities (Note 10)	647,071	598,728
Landfill closure and post-closure liabilities (Note 11)	123,773	124,182
Mortgages payable (Note 12)	640,984	732,225
Net long-term debt (Note 13)	3,856,165	3,699,256
Employee benefit liabilities (Note 14)	3,166,482	3,035,993
Total liabilities	**13,117,281**	**12,505,032**
NET DEBT	**(4,547,895)**	**(4,245,035)**
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 15, Schedule 1)	23,386,281	22,110,293
Inventories and prepaid expenses (Note 16)	321,285	299,808
	23,707,566	**22,410,101**
Commitments and contingencies (Note 17)		
ACCUMULATED SURPLUS (Note 18)	**19,159,671**	**18,165,066**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2013

(with comparative figures for the year ended December 31, 2012)

(all dollar amounts in thousands of dollars)

	2013 BUDGET (Note 19)	2013 ACTUAL	2012 (See Note 24)
REVENUE			
Property taxation	3,669,871	3,696,738	3,701,304
Municipal land transfer tax	321,474	360,884	349,798
Taxation from other governments	92,149	111,292	106,600
User charges	2,778,849	2,638,543	2,482,754
Funding transfers from other governments (Note 20)	3,482,798	2,952,158	3,054,218
Gain on sale of Enwave (Note 6)	–	–	96,611
Government business enterprise earnings (Note 6)	–	175,544	180,097
Investment income	185,275	232,244	246,760
Development charges	253,131	164,004	141,133
Rent and concessions	438,096	438,698	395,470
Other	580,563	462,454	720,915
Total revenue	**11,802,206**	**11,232,559**	**11,475,660**
EXPENSES			
General government	797,759	770,411	646,346
Protection to persons and property	1,654,571	1,656,046	1,558,447
Transportation	2,830,866	2,769,289	2,828,174
Environmental services	1,068,538	838,344	810,859
Health services	422,184	422,038	397,210
Social and family services	2,116,663	1,963,092	1,999,896
Social housing	904,446	758,024	850,026
Recreation and cultural services	1,010,912	905,987	861,716
Planning and development	137,454	127,660	96,533
Total expenses (Note 21)	**10,963,393**	**10,210,891**	**10,049,207**
ANNUAL SURPLUS	**838,813**	**1,021,668**	**1,426,453**
ACCUMULATED SURPLUS - BEGINNING OF YEAR	**18,165,066**	**18,165,066**	**16,641,411**
GBE - IFRS adjustment -Toronto Hydro Corp. (Note 6)	–	(27,063)	97,202
ACCUMULATED SURPLUS - END OF YEAR (Note 18)	**19,003,879**	**19,159,671**	**18,165,066**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2013

(with comparative figures for the year ended December 31, 2012)

(all dollar amounts in thousands of dollars)

	2013 BUDGET (Note 19)	2013 ACTUAL	2012 ACTUAL (See Note 24)
ANNUAL SURPLUS	**838,813**	**1,021,668**	**1,426,453**
Acquisition of tangible capital assets	(2,607,983)	(2,204,589)	(2,297,710)
Amortization of tangible capital assets	845,559	847,090	801,845
(Gain) Loss on disposal of tangible capital assets	–	33,559	(6,467)
Reclassification of tangible capital assets as inventories	–	30,824	
			50,321
Proceeds on disposal of tangible capital assets	2,000	17,128	40,880
Change due to tangible capital assets	**(1,760,424)**	**(1,275,988)**	**(1,411,131)**
Change in inventories and prepaid expenses	**–**	**(21,477)**	**31,724**
GBE - IFRS adjustment - Toronto Hydro Corp. (Note 6)	–	**(27,063)**	**97,202**
(Increase) decrease in net debt	(921,611)	(302,860)	144,248
NET DEBT - BEGINNING OF YEAR	(4,245,035)	(4,245,035)	(4,389,283)
NET DEBT - END OF YEAR	**(5,166,646)**	**(4,547,895)**	**(4,245,035)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2013
(with comparative figures for the year ended December 31, 2012)
(all dollar amounts in thousands of dollars)

	2013	2012 (See Note 24)
OPERATING ACTIVITIES		
Annual surplus	1,021,668	1,426,453
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(175,544)	(180,097)
Amortization of tangible capital assets	847,090	801,845
Gain/ (loss) on disposal of tangible capital assets	33,559	(6,467)
Gain on sale on Enwave	–	(96,611)
	1,726,773	1,945,123
Change in non-cash assets and liabilities related to operations:		
Decrease (increase) in accounts receivable	231,009	(36,220)
(Increase) decrease in property taxes receivable	(14,638)	19,331
Increase in accounts payable and accrued liabilities	244,222	74,291
Increase in deferred revenue	117,888	154,022
Increase in other liabilities	48,343	42,982
(Increase) decrease in inventories and prepaid expenses	(21,477)	31,724
Increase in landfill closure and post-closure liabilities	(409)	2,742
Increase in employee benefit liabilities	130,489	259,826
Cash provided by operating activities	**2,462,200**	**2,493,821**
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,204,589)	(2,297,710)
Proceeds on disposal of tangible capital assets	17,128	40,880
Reclassification of tangible capital assets as inventories	30,824	50,321
Cash applied to capital activities	**(2,156,637)**	**(2,206,509)**
INVESTING ACTIVITIES		
Increase in other assets	(81,406)	(10,208)
Purchase of investments, net	(247,894)	(925,653)
Proceeds on repayment of debt due from Toronto District School Board	3,961	3,819
Proceeds from sale of Enwave, net of legal fees	–	167,366
Dividends and distributions from government business enterprises	87,312	147,383
Cash provided by (applied to) investing activities	**(238,027)**	**(617,293)**
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	6,048	(94,876)
Principal repayments on mortgages payable	(91,241)	(41,365)
Proceeds from long-term debt issued	471,210	801,709
Principal repayments on long-term debt	(235,710)	(291,512)
Interest earned on sinking funds	(74,631)	(71,342)
Principal repayments on debt by Toronto District School Board	(3,960)	(3,619)
Cash provided by (applied to) financing activities	**71,716**	**298,795**
Net increase (decrease) in cash during the year	139,252	(31,186)
CASH – BEGINNING OF YEAR	451,936	483,124
CASH – END OF YEAR	**591,190**	**451,938**
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	286,922	279,493
Cash received for interest on investments	215,535	222,177

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 *(all dollar amounts in thousands of dollars)*

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the *City of Toronto Act, 2006*.

1. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) established by the Public Sector Accounting Board ("PSAB") of The Chartered Professional Accountants Canada ("CPAC").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. These statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation, and Toronto Pan Am Sports Centre Inc. which are accounted for by proportionate consolidation.

Consolidated entities:

Agencies and Corporations:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Build Toronto Inc.
- Casa Loma Corporation
- Heritage Toronto
- Invest Toronto Inc.
- Lakeshore Arena Corporation
- St. Lawrence Centre for the Arts
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Pan Am Sports Centre Inc. ("TPASC") (50% proportionately)
- Toronto Police Services Board
- Toronto Public Library Board
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- Yonge-Dundas Square

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion/Islington Square
- Baby Point Gates
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- College Dufferin
- College Promenade
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Dufferin Finch
- Dundas West
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Kingsway
- Korea Town
- Lakeshore Village
- Leslieville
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Dupont Strip
- The Eglinton Way
- ShoptheQueensway.com
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wilson Keele
- Wychwood Heights
- Yonge-Lawrence Village
- York-Eglinton

All inter-fund assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Government business enterprises (GBEs)

The following entities are accounted for in these consolidated financial statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Toronto Hydro Corporation
- Toronto Parking Authority
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC")
  Enwave Energy Corporation (Enwave) (divested October 31,2012)

Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 23).

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities; property tax assessment appeals; property, liability and accident claims provisions; landfill closure and post-closure liabilities; and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the *City of Toronto Act, 2006, the Assessment Act, the Education Act*, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced by reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented the Municipal Land Transfer Tax, which applies to all land sales. The revenues are transaction-based and are recognized at the time of the transaction, at registration of the sale of land.

User charges

User charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government transfers

Government transfer revenues are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. All other transfers are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that any stipulations give rise to an obligation that meets the definition of a liability for the City.

The City also provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met

Development charges

Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund capital projects.

Other revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. All investments consists of authorized investments pursuant to provisions of the *City of Toronto Act, 2006* and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle property and liability claims are actuarially determined based on available loss information and projections of the present value of estimated future expenditures, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the Consolidated Statement of Financial Position.

TTC unsettled accident claims

The TTC has a self-insurance program for automobile and general liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the Consolidated Statement of Financial Position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed, as this is the time the eligibility criteria have been met and the revenue is earned.

Derivative financial instruments

A derivative financial instrument (interest rate swap) is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural

gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

Employee benefit liabilities

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefit liabilities are actuarially determined using the projected benefits method, pro-rated on service and management's best estimates of retirement ages of employees, salary escalation, expected health costs and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Tangible capital assets

Tangible capital assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of an asset. The cost less expected residual value is amortized on a straight-line basis, over the estimated useful lives of the assets, at the following rates:

Asset	
Land improvements	15 – 70 years
Buildings and building improvements	25 – 100 years
Machinery and equipment	4 – 60 years
Motor Vehicles	5 – 20 years
Water and wastewater linear	60 – 100 years
Roads linear	25 – 70 years
Transit	10 – 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value as at the date of donation, and are also recorded in revenue.

Works of art, cultural, and historic assets are not recorded as assets in these consolidated financial statements.

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset, or materially extend asset lives, is not capitalized.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the Consolidated Statement of Financial Position. Other reserve funds and reserves are balances within the accumulated surplus.

2. Changes in accounting policies

Tax revenue:

On January 1, 2013, the City adopted Public Sector Accounting Standard PS 3510, *Tax Revenue*. This standard was adopted on a retroactive basis at the date of adoption.

Under this standard, taxes receivable are recognized when they meet the definition of an asset, the tax is authorized and the taxable event has occurred.

Under PS 3510, municipalities recognize property tax revenue using the approved tax rate and the assessment. The standard requires that tax revenue is reported net of tax concessions. Tax transfers are included as an expense and taxes levied on behalf of others in a flow through arrangement, (i.e. education taxes), are not reported in the Consolidated Statement of Operations and Accumulated Surplus.

There were no adjustments required as a result of the adoption of this standard.

Government Transfers:

On January 1, 2013, the City adopted the revised recommendations of Public Sector Accounting Standard PS 3410, *Government Transfers*. This standard was adopted on a prospective basis from the date of adoption.

The revised recommendations clarify the difference between eligibility criteria and stipulations and their roles in the recognition of government transfers by the transferring and recipient government.

Under PS 3410, government transfers received or receivable are recognized in revenue once the transfer is authorized and eligibility criteria if any are met, unless there are stipulations which give rise to an obligation that meets the definition of a liability. Government transfers paid are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

Adoption of this standard did not have a material effect on the financial results for the current year.

User Charges:

Beginning January 1, 2013, the City recognized rebates relating to solid waste as a reduction to revenue. Previously, the City recognized these rebates in General Government expenses in the Consolidated Statement of Operations and Accumulated Surplus. This change was made to enhance the relevance of the financial statements and has been treated as an accounting policy change and applied on a retroactive basis.

The effect of the change in the financial statements in the current period is a reduction of user charges of $182,392 (2012 - $160,637) and a reduction in Environmental Services expenses of $182,392 (2012 - $160,637).

Future Changes in Accounting Standards:

Financial Instruments, PS 3450, Foreign Currency Translation, PS 2601 and Financial Statement Presentation, PS 1201 are effective for fiscal years beginning on or after April 1, 2016. While early adoption is permitted, all three of the standards must be adopted in the same year. PS 3450 provides guidance on the recognition, measurement, presentation and disclosure of financial instruments including derivative instruments. PS 2601, Foreign Currency Translation includes guidance on deferral and amortization of unrealized gains and losses, hedge accounting and separation of realized and unrealized foreign exchange gains and losses. PS 1201 Financial Statement Presentation includes the addition of a new statement outlining re-measurement gains and losses. The City has not yet adopted these standards or determined the effect on the consolidated financial statements

Liability for Contaminated Sites, PS 3260 is effective for fiscal years beginning on or after April 1, 2014. The standard provides guidance for applying the definition of liabilities set out in PS 1000, and the general recognition and disclosure standards in PS 3200, in accounting for and reporting a liability for contaminated sites. The City has not yet adopted this standard or determined the effect on the consolidated financial statements

3. Accounts Receivable

Accounts receivable consist of the following:

	2013	2012
	$	$
Government of Canada	170,185	326,193
Government of Ontario	190,679	297,752
Other municipal governments	28,055	44,971
School Boards	394	9,608
Utility fees	155,953	144,468
Other fees and charges	429,149	382,432
	974,415	**1,205,424**

4. Other Assets

Other assets consist of the following:

	2013	2012
	$	$
Build Toronto Inc. loan receivable from Pinewood Toronto Studios Inc. (PTSI), due September 2018, bearing interest at 5.61%, to be converted into a 25 year amortizable debenture upon maturity.	33,404	29,038
Build Toronto Inc. loan receivable from Toronto Waterfront Studios Inc., due June 2014, bearing interest at 6%, secured by a pledge of 1,000 shares of PTSI.	3,776	3,776
Build Toronto Inc. Vendor-take-back (VTB) mortgages of $57,106. The interest rates range from 6% to 7.5% with various maturities from June 30, 2014 to November 16, 2016, secured by charges on the land.	23,184	36,939
TCHC has entered into loan agreements with Dundas and Parliament Development Corporation (DPDC) and Parliament and Gerrard Development Corporation (PGDC) to finance the pre-development and construction of condominium buildings. Advances earn interest at the bank's prime rate plus 0.50%.	3,228	4,598
Provincial affordability housing grants for the development of three TCHC projects are paid monthly and have been set up as grant receivable	13,491	10,145
TCHC's equity in Joint Ventures consists of a co-tenancy agreement with a developer for the construction of certain properties in Regent Park and a loan agreement with PGDC to finance the pre-development costs of condominium buildings. Additionally, TCHC's wholly owned subsidiaries Railway Lands Development Corporation (RLDC) and Allenbury Garden Development Corporation (AGDC) have entered into an equal interest co-tenancy agreements with a developer, for the construction of certain properties.	15,541	15,486
On November 1, 2013 Infrastructure Ontario (IO) provided a Loan of $154,703 to TCHC, of which $60,378 was to repay various maturing mortgages and the remaining $94,325 (Note 13) along with the resulting investment income of $123,000 and, 4% of gross rental income generated by the refinanced properties, amounting to $82,000 should be restricted to be invested for future capital assets purchases.	94,530	–
TCHC Mortgages receivable are to related sales-type leases from 2010 to 2057 for commercial space in a TCHC building. One mortgage has a maturity date of May 11, 2037, and bears interest at 4.88%. The other two mortgages have a term starting from May 11, 2037 to May 11, 2057, and bear interest equal to the debenture coupon rate.	11,966	11,974
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2012 – 0% to 5%) per annum, maturing from 2014 to 2044.	36,628	48,167
Other	7,756	1,975
	243,504	**162,098**

5. Investments

Investments consist of the following:

	2013		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	539,885	560,263	539,885
Provincial government bonds	1,139,335	1,182,923	1,139,335
Municipal government bonds	668,213	693,363	668,213
Money market instruments	1,916,422	1,916,415	1,916,422
Corporate bonds	330,440	335,357	330,440
Other	67,633	71,182	67,633
	4,661,928	**4,759,503**	**4,661,928**

	2012		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	645,682	713,877	645,682
Provincial government bonds	1,085,975	1,185,785	1,085,975
Municipal government bonds	482,617	527,841	482,817
Money market instruments	1,787,917	1,793,144	1,787,917
Corporate bonds	355,334	367,781	355,334
Other	56,309	58,106	56,309
	4,414,034	**4,646,534**	**4,414,034**

Municipal and Federal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $65,264 (2012 - $64,281). The weighted average yield on the cost of the bond investment portfolio during the year was 4.82% (2012 - 5.52%). Maturity dates on investments in the portfolio range from 2014 to 2042 (2012 - 2013 to 2042). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 4.50% to 8.65% (2012 – 4.50% to 8.65%) with a carrying value of $198,757 (2012 - $182,237).

Other investments held by the City, its agencies and corporations consist of the following:

	2013		
	Cost	Market value	Carrying value
	$	$	$
City investments	306	306	306
BIA	1,110	1,110	1,110
Build Toronto	30,453	30,453	30,453
TAF	17,793	21,342	17,793
TWRC	17,971	17,971	17,971
	67,633	**71,182**	**67,633**

	2012		
	Cost	Market value	Carrying value
	$	$	$
City investments	279	279	279
Build Toronto	28,698	28,698	28,698
TAF	17,359	19,156	17,359
TWRC	9,973	9,973	9,973
	56,309	**58,106**	**56,309**

6. Investments in Government Business Enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation (a hydro-electric local distribution company), Toronto Parking Authority (an operator of public parking for the City of Toronto), Toronto Port Lands Company (a company involved in development of real estate in the Toronto port lands), and an approximate 43% interest in Enwave (a provider of district heating and cooling within the downtown core of Toronto). The City divested their interest in Enwave effective October 31, 2012, recognizing a gain on sale of $96,611 in 2012.

a) Details of the continuity of the book value of these investments are as follows:

	2013	2012
	$	$
Balance - beginning of year	1,775,254	1,716,093
Income from operations (Appendix 1)	173,963	177,667
Adjusted cost of Enwave investment sold	–	(70,755)
IFRS adjustment – Toronto Hydro Corp.	–	97,202
Transition adjustment upon adoption of new revised International Accounting Standard (IAS 19) – Toronto Hydro Corp.	(27,063)	
Dividends received (Appendix 1)	(42,995)	(87,966)
Distribution to City (Appendix 1)	(44,317)	(59,417)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1,581	1,616
Change in net book value of assets transferred from Enwave (Appendix 1)	–	814
Balance - end of year (Appendix 1)	**1,836,423**	**1,775,254**

Toronto Hydro Corp. reports under United States GAAP and has provided a reconciliation to International Financial Reporting Standards (IFRS) to the City. The IFRS adjustment to retained earnings in 2012 for Toronto Hydro Corp. is primarily due to differences in accounting treatment related to regulatory assets and liabilities and property, plant and equipment.

On January 1, 2013, Toronto Hydro Corp. adopted the revised IAS 19 - Employee Benefits which resulted in opening retained earnings adjustment of $27,063 for 2013.

b) Investment in Government Business Enterprises is comprised of equity as follows:

		2013	2012
		$	$
Toronto Hydro Corporation	Equity	1,241,600	1,202,707
Toronto Parking Authority	Equity	227,777	207,293
Toronto Port Lands Company	Equity	367,046	365,254
		1,836,423	**1,775,254**

c) Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation, Toronto Parking Authority, and Toronto Port Lands Company, and October 31 for Enwave.

d) Government Business Enterprise Earnings on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2013	2012
	$	$
Income from Operations	173,963	177,667
Change in net book value of streetlighting assets – Toronto Hydro	1,581	1,616
Change in net book value of water infrastructure assets – Enwave	–	814
Government Business Enterprises Earnings	**175,544**	**180,097**

e) Related party transactions between the City and its government business enterprises are as follows:

	2013	2012
	$	$
Purchased by the City:		
Street-lighting, electricity, and maintenance services from Toronto Hydro Corporation	246,894	222,032

f) Principal repayment due dates of long-term debt of the GBEs are as follows:

	Due to City	Due to Others	Total
	$	$	$
2014	–	412	412
2015	–	436	436
2016	–	460	460
2017	–	250,485	250,485
2018	–	512	512
Thereafter	–	1,203,369	1,203,369
	–	1,455,674	1,455,674

The City's GBEs are committed to the following minimum annual operating lease payments:

	$
2014	6,781
2015	6,792
2016	6,161
2017	2,500
2018	377
Thereafter	1,231
	23,842

There are five joint venture agreements between TPA and private developers, which generally provide for the sale of above-grade strata air rights and the acquisition of parking garages. These agreements cover 1,265 parking spaces and will require an outlay of $13,570.

7. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100,000 (2012 - $100,000) bearing interest at the bank's prime rate with an effective rate during 2013 of 3% (2012 – 3%) per annum.

In 2011, Build Toronto Inc. (BTI) established a credit facility for a maximum of $34,500, bearing interest-only for the first three years at 1.99%, to be reset monthly to the lender's borrowing rate. Thereafter, the interest will be fixed and the remaining principal amount will be amortized over 25 years.

TAF has a revolving line of credit to a maximum of $2,000, repayable on demand, with a Canadian chartered bank at the bank's prime rate plus 0.5% per annum, secured by TAF's fixed income investment portfolio.

Bank indebtedness consists of the following:

	2013	2012
	$	$
City, net outstanding cheques	22,315	16,795
TCHC	–	4,000
Build Toronto Inc.	33,407	29,039
TAF	160	–
	55,882	**49,834**

8. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2013	2012
	$	$
Trade payables and accruals	1,895,246	1,682,158
School boards	416,827	330,762
Provision for assessment appeals on property taxes paid	346,965	389,639
Credit balances on property tax accounts	105,130	66,885
Wages accruals	170,667	221,169
	2,934,835	**2,690,613**

9. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, as well as certain City bylaws or agreements, are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Details of these deferred revenues are as follows:

	2013	2012
	$	$
Restricted by Provincial legislation		
Development Charges	383,801	375,071
Recreational Land (Planning Act)	431,990	347,525
Subdividers' Deposits	–	10,808
Building Code Act Service Improvement	27,731	20,821
Provincial Gas Tax	408	–
	843,930	754,225
Restricted by other agreements		
Public Transit Funds	195,371	272,203
Water and Wastewater	236,791	156,017
Community Services	84,119	81,948
Third Party Agreements	12,914	25,959
State of Good Repair	2,244	13,794
Parking Authority	3,298	3,185
	534,737	553,106
Total obligatory reserve funds	**1,378,667**	**1,307,331**

(b) Advanced payments and contributions

Revenues received for advance payments for tickets and building permits, program registration fees, contributions from developers according to Section 37 of the Planning Act and revenues deferred for TCHC's capital asset replacements are included in deferred revenue and reported on the Consolidated Statement of Financial Position. Details of these deferred revenues are as follows:

	2013	2012
	$	$
Community Services	1,476	1,217
Building Code Act	54,802	51,218
Long-Term Care – Public Health and Housing	6,017	12,445
Police	1,351	1,730
Parks	15,798	14,042
Union Station	88,510	28,636
Other	50,957	53,257
City's agencies and corporations	94,511	104,325
Total advance payments and contributions	**313,422**	**266,870**
(c) Total Deferred Revenue (9 (a) and 9 (b))	**1,692,089**	**1,574,201**

10. Other Liabilities

Other liabilities consist of the following:

	2013	2012
	$	$
Property and liability claims provision (Note 17c)	389,587	326,350
TTC – unsettled accident claims (Note 17c)	156,437	169,821
Build Toronto – environmental liabilities (Note 17j)	17,498	26,845
TTC – environmental liabilities (Note 17i)	14,500	15,275
Other	69,049	60,437
	647,071	**598,728**

11. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 4.5% (2012 – 4.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2013 is $4,706 (2012 - $4,039), based on the percentage of total approved capacity used of 38.10% (2012 – 34.17%).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2013 was $14,594 (2012 - $16,881) and the balance in the Green Lane Perpetual Care account as at December 31, 2013 was $2,780 (2012 - $2,174). Total contributions to the Green Lane Perpetual Care account of $585 (2012 - $632) were based on a contribution rate of 88¢ (2012 - 88¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 18).

Inactive Sites

The City has identified 160 (2012 – 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 17k).

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 4.5% (2012 – 4.5%). The estimated present value of future expenditures for post-closure care as at December 31, 2013 was $119,067 (2012 – $120,143).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the Solid Waste Management Perpetual Care Reserve Fund as at December 31, 2013 was $21,234 (2012 - $19,944) and is included as part of the State of Good Repair Reserve Fund (Note 18), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2013 was $7,490 (2012 - $7,467) (Note 22).

The total landfill closure and post-closure liabilities are as follows:

	2013	2012
	$	$
Active landfill site (Green Lane)	4,706	4,039
Inactive landfill sites	119,067	120,143
	123,773	**124,182**

Landfill closure and post-closure costs totaling $5,632 (2012 - $6,707) were expensed during the year.

12. Mortgages Payable

Mortgages payable are as follows:

	2013	2012
	$	$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.11% to 12.75% (2012 – 2.11% to 12.75%) per annum, with maturities ranging from 2014 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately $1,562,303 (2012 - $1,555,623).	**640,984**	**732,225**

Principal repayments are due as follows:

	$
2014	41,373
2015	43,275
2016	43,784
2017	44,018
2018	45,087
Thereafter	423,447
	640,984

Principal payments made in 2013 were $91,241 (2012 - $41,365).

13. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation also allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

The net unsecured long-term debt reported on the Consolidated Statement of Financial Position comprises the following:

	2013	2012
	$	$
Debentures issued by the City, bearing interest at various rates ranging from 3.50% to 8.65% (2012 - 3.50% to 8.65%) per annum, maturing from 2014 to 2042.	4,896,579	4,756,468
Debentures issued include issuing costs and interest and are amortized over the terms of the debt. These issues consists of series A bonds of $250,000 at 4.877% (2007 to 2037) and series B bonds of $200,000 at 5.395% (2014 and 2048).	445,078	444,979
The Infrastructure Ontario (IO) Loan received on November 1, 2013 (Note 4) is a secured loan that is funded by various floating rates as well as fixed rates of 4.37% and 4.53% and are also subject to financial covenants.	154,170	–
Long-Term Loans include a bridge-loan of $35,440 that was converted to a 12-year interest rate swap facility with a fixed interest rate of 4.55% and with an unrealized loss of approximately $3,278 matures on February 15, 2018. Additionally, a sale and lease liability started in August 2007 for 96 months has a remaining liability of $4,611.	40,278	57,909
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.10% (2012 - 6.10%) per annum, maturing from 2014 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2012 - 2.76%) per annum. On June 13, 2013, the Provincial Minister of Finance advised the City that the $170,171 loan payable to the province will be remitted over a three-year period, from 2014 to 2016. The remission of principal and interest will be equal to reductions in the Toronto Pooling Compensation of $42,500, $85,600, and $103,200 in 2014, 2015 and 2016 respectively.	170,171	170,171
Loan payable, bearing interest at 8.05% (2012 - 8.05%) per annum, maturing in 2018.	816	952
Debt issued by Lakeshore Arena Corporation ranging from 1.60% to 5.23%. Included in this debt is a fixed rate loan with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017, as well as these floating rate loans with interest rates from 1.60% to 4.25% with full settlement due September 30, 2014.	38,937	39,234
Sinking fund deposits bearing interest at rates between 3.5% and 6% (2012 – 3.5% to 6%) per annum	(1,912,275)	(1,796,828)
Sinking fund deposits – TDSB, bearing interest at 5% (2012 - 5%) per annum.	(53,435)	(49,475)
	3,856,165	**3,699,256**

Principal repayments are due as follows:

	$
2014	547,331
2015	372,908
2016	324,166
2017	299,225
2018	256,520
Thereafter	2,056,015
	3,856,165

Principal payments made in 2013 were $314,301 (2012 - $366,673).

Included in net long-term debt are outstanding debentures of $4,628,000 (2012 - $4,448,000) for which there are sinking fund assets with a carrying value of $1,965,667 (2012 - $1,817,432) and a market value of $2,054,615 (2012 - $1,969,478).

Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of $182,181 (2012 - $172,971) and a market value of $198,078 (2012 - $195,268).

The City's net long-term debt is to be recovered from the following sources:

	2013	2012
	$	$
Property taxes	3,154,240	3,130,763
TCHC	639,526	502,888
Lakeshore Arena	38,937	39,234
Leaside Arena	1,052	–
TDSB	22,410	26,371
	3,856,165	**3,699,256**

14. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2013	2012
	$	$
Future payments required for:		
Sick leave benefits (a)(i)	489,170	471,472
WSIB obligations (a)(ii)	432,533	428,767
Other employment and post-employment benefits (a)(iii)	2,102,038	2,076,852
Pension liabilities (b)	7,969	26,694
Total employee accrued benefit obligation	3,031,710	3,003,785
Unamortized actuarial gain	134,772	32,208
Employee benefit liabilities	**3,166,482**	**3,035,993**

The continuity of the City's **employee benefit liabilities**, in aggregate, is as follows.

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,035,993	3,009,299	–	26,694
Current service costs	312,010	247,684	64,326	–
Interest cost	95,531	106,007	(8,339)	(2,137)
Amortization of actuarial (gain)/loss	(101,142)	8,954	(80,167)	(29,929)
Employer contributions	(115,938)	–	(102,077)	(13,861)
Benefits paid	(200,079)	(200,079)	–	–
Plan amendments	47,500	(13,352)	60,852	–
Change in valuation allowance	92,607	–	65,405	27,202
Balance – end of year	**3,166,482**	**3,158,513**	**–**	**7,969**

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,776,167	2,839,707	(187,520)	123,980
Current service costs	303,834	239,349	64,485	–
Interest cost	109,270	103,842	1,153	4,275
Amortization of actuarial (gain)/ loss	(75,516)	30,907	(3,866)	(102,557)
Employer contributions	(112,456)	–	(97,950)	(14,506)
Benefits paid	(200,860)	(200,860)	–	–
Plan amendments	27,634	(3,646)	31,280	–
Change in valuation allowance	207,920	–	192,418	15,502
Balance – end of year	**3,035,993**	**3,009,299**	**–**	**26,694**

The continuity of the **accrued benefit obligation**, in aggregate, is as follows:

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	6,540,078	3,009,299	1,916,632	1,614,147
Current service cost	312,010	247,684	64,326	–
Interest cost	307,945	106,007	114,533	87,405
Amortization of actuarial loss/(gain)	53,937	30,907	(57,973)	81,003
Benefits paid	(461,403)	(200,079)	(99,873)	(161,451)
Plan amendments	47,500	(13,352)	60,852	–
Balance – end of year	**6,800,067**	**3,180,466**	**1,998,497**	**1,621,104**

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	6,485,853	2,839,707	1,885,744	1,760,402
Current service cost	303,834	239,349	64,485	–
Interest cost	310,643	103,842	111,230	95,571
Amortization of actuarial loss/(gain)	(125,424)	30,907	(81,947)	(74,384)
Benefits paid	(462,462)	(200,860)	(94,160)	(167,442)
Plan amendments	27,634	(3,646)	31,280	–
Balance – end of year	**6,540,078**	**3,009,299**	**1,916,632**	**1,614,147**

The continuity of the **plan asset** is as follows:

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,780,482	–	2,135,795	1,644,687
Contributions	115,938	–	102,077	13,861
Actual return on assets	514,535	–	314,061	200,474
Benefits paid	(261,324)	–	(99,873)	(161,451)
Balance – end of year	**4,149,631**	**–**	**2,452,060**	**1,697,571**

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,590,643	–	1,912,489	1,678,154
Contributions	112,456	–	97,950	14,506
Actual return on assets	338,985	–	219,516	119,469
Benefits paid	(261,602)	–	(94,160)	(167,442)
Balance – end of year	**3,780,482**	**–**	**2,135,795**	**1,644,687**

The reconciliation of the plan assets and accrued benefit obligation to the amounts in the statement of financial position is as follows:

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,643,342	3,023,741	1,998,497	1,621,104
Plan assets	4,149,631	–	2,452,060	1,697,571
Funding deficit (surplus)	2,493,711	3,023,741	(453,563)	(76,467)
Unamortized actuarial gains	303,767	134,772	168,995	–
Valuation allowance	369,004	–	284,568	84,436
Employee benefit liability	**3,166,482**	**3,158,513**	**–**	**7,969**

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,507,870	2,977,091	1,916,632	1,614,147
Plan assets	3,780,482	–	2,135,795	1,644,687
Funding deficit (surplus)	2,727,388	2,977,091	(219,163)	(30,540)
Unamortized actuarial gains	32,208	32,208	–	–
Valuation allowance	276,397	–	219,163	57,234
Employee benefit liability	**3,035,993**	**3,009,299**	**–**	**26,694**

The total expenses related to these employee benefits include the following components:

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	312,010	247,684	64,326	–
Interest cost	95,531	106,007	(8,339)	(2,137)
Amortization of actuarial loss/(gain)	(79,189)	30,907	(80,167)	(29,929)
Plan amendments	47,500	(13,352)	60,852	–
Change in valuation allowance	92,607	–	65,405	27,202
Total expense	**468,459**	**371,246**	**102,077**	**(4,864)**

	2012			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	303,834	239,349	64,485	–
Interest cost/(revenue)	109,270	103,842	1,153	4,275
Amortization of actuarial loss/(gain)	(75,516)	30,907	(3,866)	(102,557)
Plan amendments	27,634	(3,646)	31,280	–
Change in valuation allowance	207,920	–	192,418	15,502
Total expense	**573,142**	**370,452**	**285,470**	**(82,780)**

a) Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board ("WSIB") benefit plans for the City, Toronto Police Services and the City's Agencies and Corporations as at December 31, 2013. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2013	2012
Discount rate for accrued benefit obligation:		
Post-employment	3.6%	3.1%
Post-retirement	4.4%	3.8%
Sick leave	4.1%	3.5%
WSIB	3.6%	3.1%
Rate of compensation increase	2.0% to 4.5%	2.0% to 3.25%
Health care inflation – LTD, hospital and other medical	6.4% to 10.0%	6.8% to 10.0%
Health care inflation – Dental care	3.2% to 10.0%	3.4% to 10.0%
Health care inflation – Drugs	6.4% to 14.4%	6.8% to 14.4%

	2013	2012
Discount rate for benefit costs:		
Post-employment	3.1%	3.1%
Post-retirement	3.8%	3.8%
Sick leave	3.5%	3.5%
WSIB	3.1%	3.1%
Rate of compensation increase	2.0% to 3.25%	3.0% to 3.75%
Health care inflation – LTD, hospital and other medical	6.8% to 10.0%	7.57% to 10.1%
Health care inflation – Dental care	3.4% to 10.0%	3.8% to 10.1%
Health care inflation – Drugs	6.8% to 14.4%	7.8% to 10.1%

For 2013 benefit costs and year end 2013 benefit obligation, the health care inflation rate for Long Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.0% by 2020. The health care inflation rate for dental care is assumed to reduce to 3.0% by 2015.

i. Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time t a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A Sick Leave Reserve Fund is established to help reduce the future impact of these obligations.

Effective March 1, 2008, a new short-term disability plan for all management and non-union employees (approximately 4,000) came into effect. Under the new plan, existing employees in this group, who had a vested payout entitlement (10 or more years of service), had their sick days and service frozen as of March 1, 2008 and are entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and are not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2013, the balance in the Sick Leave Reserve Fund is $43,096 (2012 - $26,518) and is included in the Employee Benefits Reserve Fund grouping (Note 18). Payments during the year amounted to $40,567 (2012 - $43,390).

ii. WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2013, the balance in the Workers' Compensation Reserve Fund is $7,477 (2012 - $8,481) and is included as part of the Employee Benefits Reserve Fund (Note 18). Payments during the year by the City to the WSIB amounted to $33,849 (2012 - $35,210).

iii. Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An Employee Benefits Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2013, the balance in the Employee Benefits Reserve Fund was $161,532 (2012 - $138,628) and is included as part of Employee Benefits Reserve Fund (Note 18). Payments during the year amounted to $58,513 (2012 - $51,618).

b) Pension benefits

i. OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $8,300 (2012 - $8,603) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $185,389 (2012 - $159,316) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2013 was $684 (2012 - $499). Employer's contributions for current and past service are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

ii. TTC Pension Plan

The TTC participates in a joint defined benefit/defined contribution pension plan that covers substantially all of its employees. This pension plan is registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average

base year (pensionable) earnings. The Society also administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada). The City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2013. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the Consolidated Statement of Financial Position. As a result, the accrued benefit asset as at December 31, 2013 is comprised solely of unamortized actuarial losses.

The significant actuarial assumptions for the TTC Pension plan are as follows:

	2013	2012
Discount rate	5.75%	5.75%
Expected rate of return on plan assets	5.75%	5.75%
Rate of increase in salaries	3.50%	3.75%
Inflation rate	2.00%	2.25%
Assumptions for disclosure:		
Discount rate	6.25%	5.75%
Expected rate of return on plan assets	6.25%	5.75%
Rate of increase in salaries	3.25%	3.50%
Inflation rate	2.00%	2.00%

iii. City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses in accordance with the criteria set-out under the applicable by-laws. As at December 31, 2013, there were 3 (2012 – 5) active members with an average age of 68 (2012 – 67.8). There were also 3,845 (2012 – 4,099) pensioners and 2,650 (2012 – 2,724) spousal beneficiaries in receipt of a pension, with an average age of 79.8 (2012 – 79). Pension payments and refunds during the year were approximately $161,451 (2012 - $167,442).

Given that all remaining members in the Plans have over 35 years of service, there are no contributions being made into the Plans. The City made special payments of $13.9 million into two of the Plans (Police and York) on account of solvency deficiencies.

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2013. The accrued benefit obligation as at December 31, 2013 is based on actuarial valuations for accounting purposes as at December 31, 2013. The actuarial gains or losses in each of the five plans are accounted for in 2013.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.50% per annum (2012 –2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2012 – 3.50%) for determining the accrued benefit obligation. The discount rates used to determine the December 31, 2013 accrued benefit obligation is 5.80% (2012 – 5.70%) and the discount rate used to determine the fiscal year 2013 benefit cost is 5.70% (2012 – 5.70%).

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.80% (2012 – 5.70%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 12.80% (2012 – 7.50%). The pension plans hold the following mix of assets: Cash and equivalents 2.8%, Bonds and Fixed Income 39.3%, Canadian equities 26.7%, and foreign equities 31.2%.

As at December 31, 2013 four plans (2012 – three plans), the Toronto Civic Employees Pension Plan, the Metropolitan Toronto Pension Plan, the Toronto Firefighters Pension Plan, and the City of York Employees Pension Plan are in a surplus position (shaded in the table below). Since there is uncertainty about the City's right to this accrued benefit asset, these amounts have not been reflected in the Consolidated Statement of Financial Position.

One plan (2012 – two plans), Metropolitan Toronto Police Pension Plan, is in a deficit position. The net actuarial deficit of this plan is included in the employee benefit liabilities on the Consolidated Statement of Financial Position as at December 31 and includes the following components:

	2013 Pension assets – market value – end of year	2013 Actuarial pension obligation – end of year	2013 Net actuarial surplus (deficit)	2012 Net actuarial surplus (deficit)
	$	$	$	$
Toronto Civic Employees Pension Plan	341,136	281,843	59,293	53,662
Metropolitan Toronto Pension Plan	520,406	503,989	16,417	443
Toronto Firefighters Pension Plan	246,234	238,080	8,154	3,129
City of York Employee Pension Plan	47,131	46,559	572	(1,548)
Metropolitan Toronto Police Pension Plan	542,664	550,633	(7,969)	(25,146)
Total of plans in deficit			**(7,969)**	**(26,694)**

15. Tangible capital assets

Tangible capital assets consist of the following:

	2013			2012
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General				
Land	3,547,683	–	3,547,683	3,517,960
Land Improvements	674,069	346,546	327,523	342,798
Buildings and building improvements	6,693,410	2,552,869	4,140,541	4,056,516
Machinery and equipment	1,829,304	1,116,940	712,364	671,244
Motor vehicles	2,048,110	1,363,712	684,398	729,338
Total General	**14,792,576**	**5,380,067**	**9,412,509**	**9,317,856**
Infrastructure				
Land	137,914	–	137,914	138,118
Buildings and building improvements	516,977	137,896	379,081	341,683
Machinery and equipment	1,678,290	920,606	757,684	782,316
Water and wastewater linear	5,385,075	2,003,267	3,381,808	3,241,225
Roads linear	4,054,471	1,941,563	2,112,908	2,126,332
Transit	5,974,839	3,441,307	2,533,532	2,265,871
Total Infrastructure	**17,747,566**	**8,444,639**	**9,302,927**	**8,895,545**
Assets under construction	**4,670,845**	–	**4,670,845**	**3,896,892**
Total	**37,210,987**	**13,824,706**	**23,386,281**	**22,110,293**

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Emergency Medical Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets are described as those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within the water and wastewater treatment plants and pumping stations related to the relevant processes. Water and wastewater infrastructure include the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

General machinery and equipment includes capital leases totaling $11,334 (2012 - $12,239).

Contributed (Donated) Tangible Capital Assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at $2,903 (2012 - $6,611) for land, and nil (2012 - $28,595) of land improvements.

Tangible Capital Assets Recognized at Nominal Value

Tangible capital assets are recognized at nominal value whenever fair value cannot be determined. Land is the only capital asset category which includes nominal values and these are primarily for small parcels of land such as reserve strips and walkways.

Works of Art and Historical Treasures

The City of Toronto owns both works of art and historical treasures at various City owned facilities such as Casa Loma, Old City Hall, and its museums, such as Fort York. The City of Toronto maintains and preserves these assets because of their historical and cultural significance. These assets are not recorded as tangible capital assets and are not amortized.

Impairment of Tangible Capital Assets

Capital asset condition and state of good repair reviews are conducted on a regular basis to assess potential impairments. Minor impairments are addressed through the capital plans. Any capital assets which are significantly impaired are written down by the value of the impairment.

Additional information on the City's tangible capital assets is provided in Schedule 1.

16. Inventories and Prepaid Expenses

	2013	2012
Prepaid Expenses	79,665	93,669
Inventories	144,728	138,327
Inventories of Surplus Property	96,892	67,812
	321,285	**299,808**

17. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) On October 8, 2013 the City reconfirmed its support for a Scarborough subway extension and directed staff to negotiate an agreement with the Province and Metrolinx regarding repayment of any costs undertaken by Metrolinx on the Scarborough LRT project under the Master Agreement, (including any potential costs associated with the LRT vehicle supply contract), prior to the July decision. Costs of $80,000 have been accrued, while costs, if any, attributable to the LRT vehicle supply contract are not determinable and subject to negotiations.

c) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position in the aggregate amount of $546,024 (2012 - $496,171).

d) In February 2005, December 2007, December 2008 and October 2009, contracts were awarded by the TTC for purchase of low-floor buses which comprised 694 diesel-electric hybrid buses and 395 diesel buses at a total purchase price of $718,200. At December 31, 2013, 694 hybrid and 395 diesel buses had been delivered at a cost of $717,300. The outstanding commitment as at December 31, 2013 of $900 is expected to be extinguished by the end of 2014.

e) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 replacement trainsets for the total contract cost of $1,198,300. At December 31, 2013, 46 trainsets had been delivered at a cost of $1,015,000, which is included in assets under construction. The outstanding commitment as at December 31, 2013 is $183,300.

f) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs") at a total contract cost of $1,000,800. As at December 31, 2013, the TTC had incurred costs of $460,400, which is included in assets under construction. The delivery of LRV's has been rescheduled to 2014 with all 204 cars to be delivered by 2018. At December 31, 2013, the outstanding commitment is $540,400.

g) In July 2012, a contract was awarded by the TTC for purchase of 27 60-foot Articulated Low Floor Clean Diesel Buses. In March 2013, TTC approved an amendment to the contract authorizing the purchase of additional 126 60-foot Articulated Low Floor Clean Diesel Buses bringing the total delivery requirement to 153 buses for a total contract cost of $138,900. At December 31, 2013, 11 buses had been delivered including 1 prototype at a cost of $7,300. The balance of deliveries is scheduled for 2014. At December 31, 2013, the outstanding commitment is $131,600.

h) At December 31, 2013, the TTC has other various capital project contractual commitments of $1,122,800 (2012 - $1,375,600). Of this amount, contractual commitments of $676,400 (2012 - $924,900) relate to the Toronto York Spadina Subway Extension project, $43,800 (2012 - $51,800) relate to the Toronto Water Front projects and $402,600 (2012 - $398,900) relate to various TTC construction projects.

i) The TTC has a provision for environmental costs of $14,500 (2012 - $15,275) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provisions for environmental costs are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position.

j) Build Toronto has an environmental provision costs of $17,498 (2012 - $26,845) to cover estimated costs based on third-party engineering reports of the likely cost to remediate or mitigate current known site conditions. Costs are assessed on a site by site basis and range from full removal of historical fills to risk assessment and management measures to reduce remedial requirements. Provisions for environmental costs are recorded in other liabilities (Note 10) on the Consolidated Statement of Financial Position.

k) The Ministry of the Environment has issued Certificates of Approval for 29 (2012 – 29) of the identified 160 (2012 – 160) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 11).

l) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all line of credits provided by the City under the policy for operating line of credit guarantees is limited to $10 million in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to $300 million in the aggregate, with individual loan guarantees being limited to a maximum of $10 million. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to $125 million in the aggregate. At December 31, 2013 the City had provided capital loan guarantees to certain third parties amounting to $61,716 (2012 - $75,174), and operating loan and line of credit guarantees of $4,000 (2012 - $4,000), primarily related to several cultural non-profit organizations:

	$
2014	55,150
2015	44,346
2016	35,299
2017	22,671
2018	15,301
Thereafter	64,751
	237,518

18. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2013	2012
	$	$
Invested in tangible capital assets (Note 15)	23,386,281	22,110,293
Operating fund	2,692,681	2,919,253
Capital fund	(867,042)	(672,698)
Reserves and reserve funds	2,117,607	1,715,128
	27,329,527	26,071,976
Amounts to be recovered from future revenues:		
Mortgages (Note 12)	(640,984)	(732,225)
Net long-term debt (Note 13)	(3,856,165)	(3,699,256)
Recoverable from TDSB (Note 13)	22,410	26,371
Landfill closure and post-closure liabilities (Note 11)	(123,773)	(124,182)
Employee benefits (Note 14)	(3,166,482)	(3,035,993)
Other	(404,862)	(341,625)
	(8,169,856)	(7,906,910)
	19,159,671	**18,165,066**

Reserves and reserve funds consist of the following:

	2013	2012
Reserves:	$	$
Corporate	789,277	614,422
Stabilization	194,939	127,615
Water and Wastewater	135,350	80,816
Donations	1,274	1,079
Community Initiatives	–	23
	1,120,840	823,955
Reserve Funds:		
Employee Benefits (Note 14)	212,105	173,627
Corporate	500,584	451,898
Community Initiatives	92,570	97,034
State of Good Repair	191,508	168,614
	996,767	891,173
Total Reserves and Reserve Funds	**2,117,607**	**1,715,128**

19. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2013 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount $
Revenue	
Approved budgets:	
Operating	9,529,384
Capital	3,167,458
Reserve	37,944
	12,734,786
Adjustments:	
Proceeds on debt issue	(932,580)
Total revenue	**11,802,206**
Expenses	
Approved budgets:	
Operating	9,367,724
Capital	3,551,256
	12,918,980
Adjustments:	
Tangible Capital Assets (TCA)	(2,607,983)
Amortization	845,559
Debt principal repayments	(193,163)
Total expenses	**10,963,393**
Annual surplus	**838,813**

20. Funding Transfers from Other Governments

(a) By Function

	2013 $	2012 $
General government	147,399	120,314
Protection to persons & property	36,472	35,843
Transportation	629,639	763,065
Environmental services	40,282	43,357
Health services	274,687	268,791
Social and family services	1,478,053	1,480,970
Social Housing	277,356	315,578
Recreation and cultural services	48,439	12,622
Planning and development	19,831	13,678
Total	**2,952,158**	**3,054,218**

(b) By Government Entity

	2013	2012
	$	$
Operating Transfers		
Federal	218,799	186,538
Provincial	2,058,548	2,044,041
Other	34,833	7,350
	2,312,180	2,237,929
Capital Transfers		
Federal	271,140	255,539
Provincial	303,959	522,330
Other	64,879	38,420
	639,978	816,289
Total	**2,952,158**	**3,054,218**

21. Expenses by Object

Expenses by object comprise the following:

	2013	2012
	$	$
Salaries, wages and benefits	4,972,018	5,069,438
Materials	918,231	762,249
Contracted services	1,627,179	1,411,269
Interest on long-term debt	298,800	287,990
Transfer payments	1,368,597	1,414,398
Amortization (Schedule 1)	847,090	801,845
Other	178,976	302,018
	10,210,891	**10,049,207**

22. Segmented Information

The City provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, corporations, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

Appendix 2 includes the following segments:

- **General government** is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These groups are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.
- **Protection to persons and property** is comprised of police, fire and other protective services such as By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order.
- **Transportation** includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.
- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.
- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.
- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and

sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.

- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendix 3 and 4 reflect disclosure by entity which are significant agencies and corporations for the City of Toronto.

23. Trust Funds

Trust funds administered by the City amounting to $24,462 (2012 - $27,549) have not been included on the Consolidated Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus. Trust fund balances as at December 31 are as follows:

	2013	2012
	$	$
Keele Valley Site Post-Closure Trust Fund (Note 11)	7,490	7,467
Homes for the Aged Trust Fund – Residents	6,113	6,178
Community Centre Development Levy Trust Fund – Railway Lands	4,774	4,792
Community Services Levies Trust Fund	1,209	1,193
Contract Aftercare Trust Fund	1,082	1,074
Waterpark Place Trust Fund	1,076	1,064
Music Garden Trust Fund	614	611
Development Charges Trust Fund – Queen's Quay	541	533
Heritage and Culture Trust Funds	402	397
Library Development Levy Trust Fund – Railway Lands	386	3,416
Lakeshore Pedestrian Bridge Trust Fund	248	245
Children's Greenhouse Trust Fund – Allan Gardens	112	111
Green Lane Small Claims Trust Fund	108	107
Preservation Trust Fund	51	50
Hugh Clydesdale Trust Fund	45	45
Michael Sansone Trust Fund	43	43
Candidates' Municipal Election Surpluses Trust Fund	28	28
Tenant Displacement Trust Fund	28	27
Ontario Home Renewal Project	22	22
90 Lisgar Street Trust Fund	20	20
Eastview Neighbourhood Trust Fund	18	42
Police Trust Funds	(9)	23
Other trust funds	61	61
	24,462	**27,549**

24. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2013.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2013

(all dollar amounts in thousands of dollars)

2013

	Cost 2013					Accumulated Amortization 2013				Net Book Value 2013
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,517,960	29,350	(2,530)	2,903	3,547,683	–	–	–	–	3,547,683
Land Improvements	668,115	7,823	(1,869)	–	674,069	325,317	21,436	(207)	346,546	327,523
Buildings and building improvements	6,406,635	289,350	(2,575)	–	6,693,410	2,350,119	205,356	(2,606)	2,552,869	4,140,541
Machinery and equipment	1,676,436	191,765	(38,897)	–	1,829,304	1,005,192	149,112	(37,364)	1,116,940	712,364
Vehicles	1,997,567	69,802	(19,259)	–	2,048,110	1,268,229	114,292	(18,809)	1,363,712	684,398
Total General	**14,266,713**	**588,090**	**(65,130)**	**2,903**	**14,792,576**	**4,948,857**	**490,196**	**(58,986)**	**5,380,067**	**9,412,509**
Infrastructure										
Land	138,118	–	(204)	–	137,914	–	–	–	–	137,914
Buildings and building improvements	473,056	43,921	–	–	516,977	131,373	6,523	–	137,896	379,081
Machinery and equipment	1,657,824	20,466	–	–	1,678,290	875,508	45,098	–	920,606	757,684
Water and wastewater linear	5,182,606	207,818	(5,349)	–	5,385,075	1,941,381	64,613	(2,727)	2,003,267	3,381,808
Roads linear	4,005,866	83,554	(34,949)	–	4,054,471	1,879,534	88,337	(26,308)	1,941,563	2,112,908
Transit	5,665,468	435,346	(125,975)	–	5,974,839	3,399,597	152,323	(110,613)	3,441,307	2,533,532
Total infrastructure	**17,122,938**	**791,105**	**(166,477)**	**–**	**17,747,566**	**8,227,393**	**356,894**	**(139,648)**	**8,444,639**	**9,302,927**
Assets under construction	**3,896,892**	**1,139,084**	**(365,131)**	**–**	**4,670,845**	**–**	**–**	**–**	**–**	**4,670,845**
TOTAL	**35,286,543**	**2,518,279**	**(596,738)**	**2,903**	**37,210,987**	**13,176,250**	**847,090**	**(198,634)**	**13,824,706**	**23,386,281**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2012

(all dollar amounts in thousands of dollars)

2012

	Cost 2012					Accumulated Amortization 2012				Net Book Value 2012
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,495,721	39,380	(23,752)	6,611	3,517,960	–	–	–	–	3,517,960
Land Improvements	627,924	23,207	(11,611)	28,595	668,115	305,736	20,346	(765)	325,317	342,798
Buildings and building improvements	6,169,364	256,873	(19,602)	–	6,406,635	2,160,676	195,951	(6,508)	2,350,119	4,056,516
Machinery and equipment	1,578,586	150,215	(52,365)	–	1,676,436	914,389	140,957	(50,154)	1,005,192	671,244
Vehicles	1,956,927	94,683	(54,043)	–	1,997,567	1,209,100	110,989	(51,860)	1,268,229	729,338
Total General	**13,828,522**	**564,358**	**(161,373)**	**35,206**	**14,266,713**	**4,589,901**	**468,243**	**(109,287)**	**4,948,857**	**9,317,856**
Infrastructure										
Land	137,676	442	–	–	138,118	–	–	–	–	138,118
Buildings and building improvements	384,794	88,262	–	–	473,056	125,825	5,548	–	131,373	341,683
Machinery and equipment	1,493,362	164,462	–	–	1,657,824	832,963	42,545	–	875,508	782,316
Water and wastewater linear	5,110,148	74,071	(1,613)	–	5,182,606	1,880,570	61,974	(1,163)	1,941,381	3,241,225
Roads linear	3,929,635	97,152	(20,921)	–	4,005,866	1,809,276	88,072	(17,814)	1,879,534	2,126,332
Transit	5,388,230	319,000	(41,762)	–	5,665,468	3,305,897	135,463	(41,763)	3,399,597	2,265,871
Total infrastructure	**16,443,845**	**743,389**	**(64,296)**	**–**	**17,122,938**	**7,954,531**	**333,602**	**(60,740)**	**8,227,393**	**8,895,545**
Assets under construction	**2,971,227**	**1,251,962**	**(326,297)**	**–**	**3,896,892**	**–**	**–**	**–**	**–**	**3,896,892**
TOTAL	**33,243,594**	**2,559,709**	**(551,966)**	**35,206**	**35,286,543**	**12,544,432**	**801,845**	**(170,027)**	**13,176,250**	**22,110,293**

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2013

(all dollar amounts in thousands of dollars)

Condensed Financial Results ($) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Enwave October 31		Toronto Port Lands Company December 31		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Financial Position										
Assets										
Current	547,984	549,875	35,397	29,903	–	–	31,890	44,676	615,271	624,454
Capital	3,049,212	2,738,609	136,782	138,321	–	–	343,385	337,584	3,529,379	3,214,514
Other	144,965	165,190	80,403	81,874	–	–	7,980	–	233,348	247,064
	3,742,161	**3,453,674**	**252,582**	**250,098**	**–**	**–**	**383,255**	**382,260**	**4,377,998**	**4,086,032**
Liabilities										
Current	688,565	950,442	11,289	32,773	–	–	7,645	8,468	707,699	991,683
Long-term	1,787,128	1,274,076	13,516	10,032	–	–	8,364	8,538	1,809,008	1,292,646
	2,475,693	**2,224,518**	**24,805**	**42,805**	**–**	**–**	**16,209**	**17,006**	**2,516,707**	**2,284,329**
Net equity	**1,266,468**	**1,229,156**	**227,777**	**207,293**	**–**	**–**	**367,046**	**365,254**	**1,861,291**	**1,801,703**
City's share (Note 6)	**1,241,600**	**1,202,707**	**227,777**	**207,293**	**–**	**–**	**367,046**	**365,254**	**1,836,423**	**1,775,254**
Results of Operations										
Revenues	3,178,725	2,866,323	138,409	132,168	–	76,981	7,047	46,203	3,324,181	3,121,675
Expenses	3,085,273	2,788,651	73,729	73,983	–	71,899	5,134	6,579	3,164,136	2,941,112
Actuarial gain from Other Comprehensive Income (OCI)	13,918	–	–	–	–	–	–	–	13,918	–
Net income (loss)	**107,370**	**77,672**	**64,680**	**58,185**	**–**	**5,082**	**1,913**	**39,624**	**173,963**	**180,563**
City's share (Note 6)	**107,370**	**77,672**	**64,680**	**58,185**	**–**	**2,186**	**1,913**	**39,624**	**173,963**	**177,667**
Distribution to City (Note 6)	–	–	44,196	55,613	–	–	121	3,804	44,317	59,417
Dividends paid to City (Note 6)	42,995	47,966	–	–	–	–	–	40,000	42,995	87,966
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 6)	24,868	26,449	–	–	–	–	–	–	24,868	26,449

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2013 – APPENDIX 2*

for the year ended December 31, 2013

(all dollar amounts in thousands of dollars)

	2013									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,168,914	–	–	–	–	–	–	–	–	4,168,914
User charges	44,878	164,769	1,203,360	970,995	2,077	52,567	16,792	158,641	24,444	2,638,543
Government transfers	147,399	36,472	629,639	40,282	274,687	1,478,053	277,356	48,439	19,831	2,952,158
Net GBE income	175,544	–	–	–	–	–	–	–	–	175,544
Other	354,042	37,633	326,173	33,961	3,389	16,255	364,002	152,929	9,016	1,297,400
TOTAL REVENUES	**4,890,777**	**238,874**	**2,159,192**	**1,045,238**	**280,153**	**1,546,875**	**658,150**	**360,009**	**53,291**	**11,232,559**
Salaries, wages and benefits	355,846	1,503,525	1,311,319	244,952	330,918	550,871	124,741	505,501	44,345	4,972,018
Materials	226,660	23,818	322,018	122,555	20,151	76,134	9,814	106,150	10,931	918,231
Contracted services	183,564	22,584	475,529	224,299	39,241	318,826	222,414	128,650	12,072	1,627,179
Interest on long-term debt	13,602	11,928	160,525	13,312	781	4,018	65,787	21,087	7,760	298,800
Transfer payments	(161,177)	42,341	68,223	107,377	21,902	997,053	191,322	75,457	26,099	1,368,597
Other	80,204	13,289	19,603	(5,052)	2,502	16,012	15,071	13,169	24,178	178,976
Amortization	71,712	38,561	412,072	130,901	6,543	178	128,875	55,973	2,275	847,090
TOTAL EXPENSES	**770,411**	**1,656,046**	**2,769,289**	**838,344**	**422,038**	**1,963,092**	**758,024**	**905,987**	**127,660**	**10,210,891**
ANNUAL SURPLUS/ (DEFICIENCY)	**4,120,366**	**(1,417,172)**	**(610,097)**	**206,894**	**(141,885)**	**(416,217)**	**(99,874)**	**(545,978)**	**(74,369)**	**1,021,668**

***Definition of Segments by Service provided in Note 22 – Segmented Information.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – 2012 – APPENDIX 2*

for the year ended December 31, 2012

(all dollar amounts in thousands of dollars)

2012

	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,157,702	–	–	–	–	–	–	–	–	4,157,702
User charges	46,155	165,433	1,160,143	847,388	1,507	52,136	15,882	173,275	20,835	2,482,754
Government transfers	120,314	35,843	763,065	43,357	268,791	1,480,970	315,578	12,622	13,678	3,054,218
Net GBE income	180,097	–	–	–	–	–	–	–	–	180,097
Gain on sale of Enwave	96,611	–	–	–	–	–	–	–	–	96,611
Other	432,894	44,033	345,413	43,391	3,519	25,068	390,095	121,745	98,120	1,504,278
TOTAL REVENUES	**5,033,773**	**245,309**	**2,268,621**	**934,136**	**273,817**	**1,558,174**	**721,555**	**307,642**	**132,633**	**11,475,660**
Salaries, wages and benefits	325,437	1,393,591	1,603,217	239,631	314,170	542,964	111,904	495,343	43,181	5,069,438
Materials	210,945	24,858	253,613	111,941	16,449	49,825	17,049	82,369	(4,800)	762,249
Contracted services	169,808	24,948	363,972	191,311	40,295	320,354	169,085	109,850	21,646	1,411,269
Interest on long-term debt	9,755	11,303	151,151	12,462	724	4,817	69,783	20,235	7,760	287,990
Transfer payments	(29,082)	47,843	43,149	(54,965)	19,899	1,035,498	254,099	61,647	6,310	1,414,398
Other	66,799	13,858	31,081	7,408	2,461	16,260	103,430	38,787	21,934	302,018
Amortization	71,206	42,046	381,991	124,549	3,212	178	124,676	53,485	502	801,845
TOTAL EXPENSES	**824,868**	**1,558,447**	**2,828,174**	**632,337**	**397,210**	**1,999,896**	**850,026**	**861,716**	**96,533**	**10,049,207**
ANNUAL SURPLUS/ (DEFICIENCY)	**4,208,905**	**(1,313,138)**	**(559,553)**	**301,799**	**(123,393)**	**(441,722)**	**(128,471)**	**(554,074)**	**36,100**	**1,426,453**

***Definition of Segments by Service provided in Note 22 – Segmented Information.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2013

(all dollar amounts in thousands of dollars)

2013

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,168,914	–	–	–	–	–	4,168,914
User charges	1,465,163	7,038	1,067,442	4,548	16,792	77,560	2,638,543
Government transfers	2,678,446	35,952	209,792	6,137	–	21,831	2,952,158
Net GBE income	175,544	–	–	–	–	–	175,544
Other	746,613	20,746	77,707	23,126	362,017	67,191	1,297,400
TOTAL REVENUES	**9,234,680**	**63,736**	**1,354,941**	**33,811**	**378,809**	**166,582**	**11,232,559**
Salaries, wages and benefits	2,506,185	998,518	1,147,111	138,962	104,223	77,019	4,972,018
Materials	617,982	7,826	211,798	15,683	9,814	55,128	918,231
Contracted services	1,151,095	14,508	202,552	22,259	222,414	14,351	1,627,179
Interest on long-term debt **	221,450	10,057	–	–	65,787	1,506	298,800
Transfer payments	2,212,008	(1,064)	(449,239)	(170,886)	(246,920)	24,698	1,368,597
Other	86,945	4,228	29,447	2,270	15,071	41,015	178,976
Amortization	328,321	32,473	318,793	29,544	128,875	9,084	847,090
TOTAL EXPENSES	**7,123,986**	**1,066,546**	**1,460,462**	**37,832**	**299,264**	**222,801**	**10,210,891**
ANNUAL SURPLUS/ (DEFICIENCY)	**2,110,694**	**(1,002,810)**	**(105,521)**	**(4,021)**	**79,545**	**(56,219)**	**1,021,668**

** As at December 31, the City has issued $2,467,505 in debentures for capital expenditures made on behalf of the TTC (2012: $2,470,165). Included in interest on long-term debt is $121,133 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2012

(all dollar amounts in thousands of dollars)

2012

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,157,702	–	–	–	–	–	4,157,702
User charges	1,337,423	6,723	1,023,423	4,832	15,882	94,471	2,482,754
Government transfers	2,236,820	35,155	761,589	3,240	–	17,414	3,054,218
Net GBE income	180,097	–	–	–	–	–	180,097
Gain on sale of Enwave	96,611	–	–	–	–	–	96,611
Other	798,088	21,241	182,344	13,554	379,614	109,437	1,504,278
TOTAL REVENUES	**8,806,741**	**63,119**	**1,967,356**	**21,626**	**395,496**	**221,322**	**11,475,660**
Salaries, wages and benefits	2,330,000	970,571	1,439,464	133,140	111,904	84,359	5,069,438
Materials	573,332	10,396	129,370	(1,383)	17,049	33,485	762,249
Contracted services	985,296	16,639	179,310	20,046	169,085	40,893	1,411,269
Interest on long-term debt **	208,897	9,310	–	–	69,783	–	287,990
Transfer payments	2,312,956	4,914	(436,263)	(156,422)	(267,511)	(43,276)	1,414,398
Other	108,597	3,790	39,434	2,497	103,430	44,270	302,018
Amortization	315,833	35,614	289,159	29,069	124,676	7,494	801,845
TOTAL EXPENSES	**6,834,911**	**1,051,234**	**1,640,474**	**26,947**	**328,416**	**167,225**	**10,049,207**
ANNUAL SURPLUS/ (DEFICIENCY)	**1,971,830**	**(988,115)**	**326,882**	**(5,321)**	**67,080**	**54,097**	**1,426,453**

** As at December 31, the City has issued $2,124,391 in debentures for capital expenditures made on behalf of the TTC (2010: $1,806,229). Included in interest on long-term debt is $103,327 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the year ended December 31, 2013

2013 and 2012

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies, and Corporations	TOTAL
2013						
General						
Cost	6,845,342	3,818,646	3,543,886	400,889	183,813	14,792,576
Accumulated amortization	1,851,954	2,117,654	1,197,465	153,147	59,847	5,380,067
Net Book Value	**4,993,388**	**1,700,992**	**2,346,421**	**247,742**	**123,966**	**9,412,509**
Infrastructure						
Cost	11,772,725	5,974,841	–	–	–	17,747,566
Accumulated amortization	5,003,333	3,441,306	–	–	–	8,444,639
Net Book Value	**6,769,392**	**2,533,535**	**–**	**–**	**–**	**9,302,927**
Assets under construction	**1,481,487**	**2,953,738**	**122,110**	**20,154**	**93,356**	**4,670,845**
Total	**13,244,267**	**7,188,265**	**2,468,531**	**267,896**	**217,322**	**23,386,281**
2012						
General						
Cost	6,678,860	3,611,118	3,420,935	374,590	181,210	14,266,713
Accumulated amortization	1,719,436	1,957,932	1,069,241	147,484	54,765	4,948,858
Net Book Value	**4,959,424**	**1,653,186**	**2,351,694**	**227,106**	**126,445**	**9,317,855**
Infrastructure						
Cost	11,457,470	5,665,468	–	–	–	17,122,938
Accumulated amortization	4,827,795	3,399,597	–	–	–	8,227,392
Net Book Value	**6,629,675**	**2,265,871**	**–**	**–**	**–**	**8,895,546**
Assets under construction	**1,151,060**	**2,541,161**	**115,590**	**16,708**	**72,373**	**3,896,892**
Total	**12,740,159**	**6,460,218**	**2,467,284**	**243,814**	**198,818**	**22,110,293**

GLOSSARY

Accrued Benefit Obligation: see Employee Benefits Liability – Gross.

Accrued Benefit Liability: see Employee Benefits Liability – Net.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay. This is also known as the full accrual basis of accounting. Prior to 2009, municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's financial and non-financial assets and its liabilities. The accumulated surplus represents the net financial and physical assets / resources available to provide future services. It is the sum of amounts invested in: tangible capital assets; the operating, capital, reserve and reserve funds; net of amounts to be recovered from future revenues.

Agencies and Corporations: The City's agencies, boards and corporations are referred to as agencies and corporations.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

Assets: have three essential characteristics: (a) they embody a future benefit that involves a capacity, singly or in combination with other assets, to provide future net cash flows, or to provide goods and services; (b) the government can control access to the benefit; and (c) the transaction or event giving rise to the government's control of the benefit has already occurred.

Bankers Acceptance (BA): A short-term debt instrument that is guaranteed by a commercial bank.

BOG: the Board of Governors of Exhibition Place

Budget - operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget - capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

Business Improvement Area (BIA): A Business Improvement Area is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass by-laws that range from public safety, to the City's economic, social and environmental well being.

COLA: Cost of Living Adjustment

Consolidated statements: financial statements which include all of the entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contra-account: an account in the financial records that offsets or reduces the balance of a related account. For example, Accumulated Amortization of an asset class is contra to the Tangible Capital Asset account for that same class.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: Under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer at the assessment date.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation to another entity from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remained unspent at year end. These amounts are shown with liabilities and are recognized in revenue when the revenues are earned, which may include spending the monies for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability - Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability - Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average Remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains, or larger than the gross liability when gains exceed losses.

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards. Standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

IAS: International Accounting Standards

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRSs are now available in part I of the CICA Handbook.

Jointly Sponsored Pension Plan: a jointly sponsored pension plan is a pension plan where members and the entity (TTC) share responsibility for plan governance, plan administration, and plan terms, including funding of the plan.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation, in the event of default by the borrower.

LRT: Light Rail Transit.

LRVs: Light Rail Vehicles.

LTD: Long Term Disability.

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multi-employer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

OW: Ontario Works financial assistance and employment assistance for people who meet provincial eligibility criteria.

Prepaid Expenses: Prepaid expenses are non-financial assets which result when payments are made in advance of the receipt of goods or services. Prepaid expenses may arise from payments for insurance premiums, leases, professional dues, memberships and subscriptions.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset less the residual value by ii) the number of years the asset is expected to be used.

Subordinated debt: Debt which ranks after other debts should a company fall into liquidation or bankruptcy.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: the Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidate financial statements for the first time in 2009.

TCHC: the Toronto Community Housing Corporation

TDSB: the Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Port Lands Company (TPLC)

Total Debt: the City's total borrowings outstanding.

TPA: Toronto Parking Authority

TPASC: Toronto Pan Am Sports Centre

TPLC: see TEDCO

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: the Toronto Transit Commission

TWRC: the Toronto Waterfront Revitalization Corporation

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIB: the Workplace Safety and Insurance Board

2013 STATISTICAL INFORMATION

CITY OF TORONTO FINANCIAL REPORT

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2013	2012	2011	2010	2009
Population (Note 1)	2,771,770	2,741,775	2,704,622	2,676,148	2,654,359
Households (Note 1)	1,110,672	1,096,653	1,083,765	1,036,850	1,028,400
Areas in square kilometres	634	634	634	634	634
Full-time employees	44,506	43,970	45,388	46,228	45,673
Housing Starts	15,618	25,416	18,972	13,425	11,919
Building Permit Values	$8,784,032	$7,286,017	$8,514,926	$10,167,238	$5,521,393
TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (Note 2)					
Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$358,492,808	$336,408,271	$328,192,641	$294,740,597	$276,277,574
Commercial, Industrial and Pipeline	90,686,368	86,027,525	86,108,916	73,907,329	68,075,621
TOTAL	**$449,179,176**	**$422,435,796**	**$414,301,557**	**$368,647,926**	**$344,353,195**
Total per capita	$162,055	$154,074	$153,183	$137,753	$129,731
TAX RATES (URBAN AREA) - (Note 2)					
Residential, New Multi-Residential, Farmlands and Managed Forest (expressed in %) - Note - Full Rate Only					
City purposes	0.5337653%	0.5501981%	0.5619218%	0.5895702%	0.6027807%
School board purposes	0.2120000%	0.2210000%	0.2310000%	0.2410000%	0.2520000%
TOTAL	**0.7457653%**	**0.7711981%**	**0.7929218%**	**0.8305702%**	**0.8547807%**
Multi-Residential (expressed in %)					
City purposes	1.6981011%	1.7950082%	1.8635584%	1.9552517%	2.0373418%
School board purposes	0.2120000%	0.2210000%	0.2310000%	0.2410000%	0.2520000%
TOTAL	**1.9101011%**	**2.0160082%**	**2.0945584%**	**2.1962517%**	**2.2893418%**
Commercial (expressed in %)					
City purposes	1.6716412%	1.7455255%	1.8257360%	1.9367482%	2.0431761%
School board purposes	1.3638850%	1.4360970%	1.5404080%	1.6615560%	1.8030600%
TOTAL	**3.0355262%**	**3.1816225%**	**3.3661440%**	**3.5983042%**	**3.8462361%**
Industrial (expressed in %)					
City purposes	1.6662458%	1.7385006%	1.8203441%	1.9900160%	2.1484993%
School board purposes	1.3888080%	1.4491840%	1.5657920%	1.7040030%	1.8618110%
TOTAL	**3.0550538%**	**3.1876846%**	**3.3861361%**	**3.6940190%**	**4.0103103%**
Pipeline (expressed in %)					
City purposes	1.0267316%	1.0583411%	1.0808925%	1.1340760%	1.1594874%
School board purposes	1.5580410%	1.5875130%	1.6371510%	1.6890270%	1.7425120%
TOTAL	**2.5847726%**	**2.6458541%**	**2.7180435%**	**2.8231030%**	**2.9019994%**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2013	2012	2011	2010	2009
TAXES RECEIVABLE, END OF THE YEAR					
Amount	$239,516	$224,878	$244,209	$300,387	$313,088
Per Capita	$86	$82	$90	$112	$118
NET LONG-TERM DEBT- END OF YEAR					
Amount	$3,856,165	$3,699,256	$3,264,220	$2,890,472	$2,798,585
Per Capita	$1,391	$1,349	$1,207	$1,080	$1,054
INTEREST CHARGES FOR NET LONG-TERM DEBT					
Amount	$257,627	$243,682	$221,072	$221,663	$217,589
Per Capita	$93	$89	$82	$83	$82
LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES					
Gross Long-Term Debt	$4,497,149	$4,431,481	$4,037,810	$3,694,108	$3,868,170
Net Long-Term Debt (Net of Sinking Fund deposits)	$3,856,165	$3,699,256	$3,264,220	$2,890,472	$2,798,585
LONG-TERM DEBT AND MORTGAGES CHARGES					
(includes principal repayments, interest on long-term debt and interest earned on sinking funds)					
Amount	$666,311	$628,241	$563,294	$1,179,542	$599,489
Percentage of Total Consolidated Expenses	6.53%	6.25%	5.49%	11.51%	6.15%
LEGAL DEBT LIMIT (NOTE 3) (15% OF PROPERTY TAX LEVY)					
Property Tax Levy Amount	$3,698,736	$3,701,304	$3,457,436	$3,462,011	$3,411,772
Debt Limit	$554,810	$555,196	$518,615	$519,302	$511,766
TAXES COLLECTED					
City Collection	$4,103,183	$4,106,755	$4,029,667	$3,917,991	$3,660,600
Taxes Transferred to the School Board	1,813,572	1,895,139	1,906,588	1,886,726	1,882,376
TOTAL	**$5,916,755**	**$6,001,894**	**$5,936,255**	**$5,804,717**	**$5,542,976**
TRUST FUNDS BALANCE - END OF YEAR	**$46,474**	**$46,514**	**$45,993**	**$46,743**	**$48,611**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2013	2012	2011	2010	2009
SUMMARY OF CONSOLIDATED REVENUES AND EXPENSES - (Note 4)					
CONSOLIDATED OPERATIONS					
REVENUE BY SOURCE					
Residential and Commercial property taxation	$3,696,738	$3,701,304	$3,457,436	$3,462,011	$3,411,772
Municipal Land Transfer Tax	360,884	349,798	324,065	278,980	183,892
Taxation from other government	111,292	106,600	96,596	108,656	100,179
User Charges	2,638,543	2,482,754	2,436,025	2,355,963	2,156,408
Funding transfers from other governments	2,952,158	3,054,218	3,148,351	3,173,242	2,993,468
Government business enterprise earnings	175,544	180,097	188,041	153,294	115,012
Investment Incomes	232,244	246,760	248,397	265,990	282,217
Development Charges	164,004	141,133	94,952	92,162	83,144
Rental and Concessions	438,698	395,470	386,073	372,959	355,005
Other	462,454	817,526	604,560	540,861	520,422
TOTAL	**$11,232,559**	**$11,475,660**	**$10,986,496**	**$10,804,118**	**$10,201,519**
CONSOLIDATED EXPENSES BY FUNCTION (Note 4)					
General Government	$770,411	$646,346	$887,937	$773,860	$590,532
Protection to persons and property	1,656,046	1,558,447	1,667,615	1,569,710	1,525,221
Transportation	2,769,289	2,828,174	2,642,260	2,833,944	2,696,197
Environment Services	838,344	810,859	834,088	883,897	873,684
Health Services	422,038	397,210	399,207	401,271	376,463
Social and family services	1,963,092	1,999,896	2,032,670	2,040,833	1,946,444
Social housing	758,024	850,026	804,577	818,287	837,786
Recreation and cultural services	905,987	861,716	847,271	795,910	769,110
Planning and development	127,660	96,533	143,636	132,562	126,991
TOTAL	**$10,210,891**	**$10,049,207**	**$10,259,261**	**$10,250,274**	**$9,742,428**
ANNUAL SURPLUS	**$1,021,668**	**$1,426,453**	**$727,235**	**$553,844**	**$459,091**
ACCUMULATED SURPLUS: (Note 4)					
Financial Assets	$8,569,386	$8,259,997	$7,283,091	$6,513,984	$6,728,291
Liabilities	13,117,281	12,505,032	11,672,374	10,899,622	10,392,487
Net Debt	(4,547,895)	(4,245,035)	(4,389,283)	(4,385,638)	(3,664,196)
Non-Financial Assets	23,707,566	22,410,101	21,030,694	19,870,692	18,595,406
Accumulated Surplus	**$19,159,671**	**$18,165,066**	**$16,641,411**	**$15,485,054**	**$14,931,210**

FIVE-YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

	2013	2012	2011	2010	2009
CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS (Note 4)					
Social Assistance	$896,038	$920,131	$883,817	$885,319	$801,271
Child Care Assistance	277,613	274,771	264,866	264,345	262,540
Health Services	168,727	162,739	162,332	118,669	117,558
Social Housing	445,308	468,977	526,697	544,278	422,284
Other	524,494	411,311	539,545	371,379	144,607
Government of Canada Transfer - TTC	271,140	255,539	329,693	187,120	700,876
Government of Canada Transfer - Capital	303,959	522,330	420,643	303,921	211,656
Province of Ontario Transfer - Capital	64,879	38,420	20,758	405,643	332,676
Province of Ontario Transfer - Reserve Funds	–	–	–	92,568	–
TOTAL	**$2,952,158**	**$3,054,218**	**$3,148,351**	**$3,173,242**	**$2,993,468**
CONSOLIDATED EXPENSES BY OBJECT (Note 4)					
Salaries, wages and benefits	$4,972,018	$5,069,438	$5,053,750	$4,826,928	$4,523,437
Materials	918,231	762,249	879,684	954,741	879,320
Contracted Services	1,627,179	1,411,269	1,458,019	1,386,031	1,356,914
Interest on long-term debt & TCHC mortgage	298,800	287,990	267,240	273,275	229,503
Transfer payments	1,368,597	1,414,398	1,480,742	1,463,844	1,485,656
Amortization	847,090	801,845	814,522	1,018,351	1,071,896
Other	178,976	302,018	305,304	327,104	195,702
TOTAL	**$10,210,891**	**$10,049,207**	**$10,259,261**	**$10,250,274**	**$9,742,428**
RESERVE & RESERVE FUND BALANCE					
- End of the year	**$2,117,607**	**$1,715,128**	**$1,365,006**	**$1,355,092**	**$1,460,612**
TANGIBLE CAPITAL ASSETS (Note 4)					
COST:					
General Assets	$14,792,576	$14,266,713	$13,828,522	$13,311,835	$12,548,857
Infrastructure	17,747,566	17,122,938	16,443,845	15,787,653	15,327,906
Assets under construction	4,670,845	3,896,892	2,971,227	2,376,829	1,549,073
TOTAL	**37,210,987**	**35,286,543**	**33,243,594**	**31,476,317**	**29,425,836**
ACCUMULATED AMORTIZATION:					
General Assets	$5,380,067	$4,948,857	$4,589,901	$4,235,099	$3,760,309
Infrastructure	8,444,639	8,227,393	7,954,531	7,652,115	7,276,620
TOTAL	**13,824,706**	**13,176,250**	**12,544,432**	**11,887,214**	**11,036,929**
NET BOOK VALUE	**$23,386,281**	**$22,110,293**	**$20,699,162**	**$19,589,103**	**$18,388,907**

FIVE-YEAR REVIEW SUMMARY

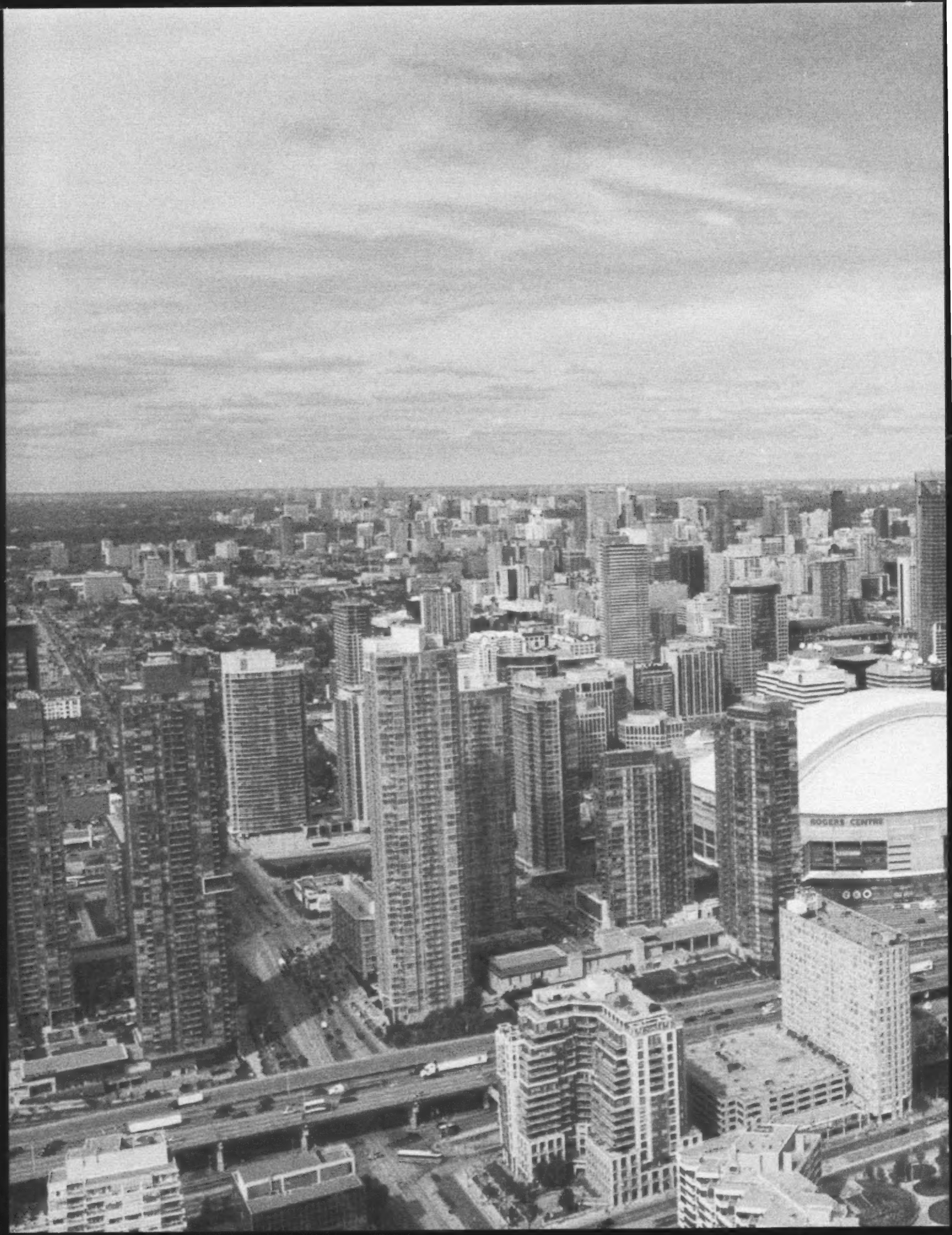
(Not subject to audit; all dollar amounts are in thousands except per capita figure) (See accompanying end notes)

Note 1: Source of population data and number of households is from the City of Toronto, City Planning Division - which uses the data from the last Annual Demographic Estimate of Statistics Canada. This was updated in 2013 and as a result the prior year numbers have been updated.

Note 2: Taxation related information reflect Current Value Assessment (CVA).

Note 3: Debt Limit is approved by City Council as per the City of Toronto Act (COTA) effective 2007. Debt Limit shall not be greater than 15% of the property tax levy.

Note 4: On January 1, 2013, the City adopted Public Sector Accounting Standard PS 3510, Tax Revenue. This standard was adopted on retroactive basis from the date of adoption. There were no adjustments as a result of adoption of this standard, however, in conjunction with implementation of PS 3510, presentation of solid waste rebates have been regrouped to net against solid waste revenues, as the rate charged is the net amount. The regrouping was done for 2012 and prior years. (See Note 2 of the 2013 consolildated financial statements).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